

# GENDER+

# FINANCE

## **Gender Lens Investing:**

How Finance Can Accelerate Gender Equality  
in Latin America and the Caribbean



# ESADE



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*IDB Invest, the private sector institution of the Inter-American Development Bank (IDB) Group, is a multilateral development bank committed to supporting Latin America and the Caribbean businesses. It finances sustainable enterprises and projects to achieve financial results that maximize economic, social and environmental development for the region. With a current portfolio of US\$11.2 billion under management and 330 clients in 23 countries, IDB Invest works across sectors to provide innovative financial solutions and advisory services that meet the evolving demands of its clients. As of November 2017, IDB Invest is the trade name of the Inter-American Investment Corporation.  
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# ACRONYMS

## AND KEY DEFINITIONS

|                   |   |
|-------------------|---|
| <b>AUM</b>        | Assets Under Management   |
| <b>EDGE</b>       | Economic Dividends for Gender Equality  |
| <b>ESG</b>        | Environmental, Social and Governance  |
| <b>ETF</b>        | Exchange Traded Fund  |
| <b>ETN</b>        | Exchange Traded Note  |
| <b>GBA</b>        | Global Banking Alliance for Women   |
| <b>GDP</b>        | Gross Domestic Product  |
| <b>GIIN</b>       | Global Impact Investing Network   |
| <b>GLI</b>        | Gender Lens Investing   |
| <b>ICT</b>        | Information and Communication Technologies  |
| <b>ICMA</b>       | International Capital Markets Association   |
| <b>IDB</b>        | Inter-American Development Bank   |
| <b>IDB Invest</b> | Inter-American Development Bank Invest (The IDB Group private sector institution) |
| <b>IDB Lab</b>    | Inter-American Development Bank Lab   |
| <b>IFC</b>        | International Finance Corporation   |
| <b>ILO</b>        | International Labour Organisation   |
| <b>IRIS</b>       | Impact Reporting and Investment Standard  |
| <b>LAC</b>        | Latin America and the Caribbean   |
| <b>LAVCA</b>      | The Association for Private Capital Investment in Latin America                   |
| <b>MDB</b>        | Multilateral Development Bank   |
| <b>MFI</b>        | Microfinance Institutions   |
| <b>NGO</b>        | Non-Governmental Organization   |
| <b>PE</b>         | Private Equity  |
| <b>RBI</b>        | Results-Based Incentive   |
| <b>SDGS</b>       | Sustainable Development Goals   |
| <b>MSME</b>       | Micro, Small and Medium Enterprise  |
| <b>SC</b>         | Seed Capital  |
| <b>SME</b>        | Small and Medium Enterprise   |
| <b>UN</b>         | United Nations  |
| <b>UNDP</b>       | United Nations Development Programme  |
| <b>US</b>         | United States   |
| <b>VC</b>         | Venture Capital   |
| <b>weB</b>        | Women Entrepreneurship Banking Program  |
| <b>WEF</b>        | World Economic Forum  |
| <b>WEP</b>        | Women's Empowerment Principles  |

**Women-led business:** a business with at least one woman owner and/or one woman in a top management position.

During the paper we refer to MSMEs or SMEs depending on the data source and context.





## **PREFACE BY**

GEMA  
SACRISTÁN,  
CHIEF  
INVESTMENT  
OFFICER,  
IDB INVEST

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**At current rates of progress, it will take 74 years to achieve gender parity in Latin America and the Caribbean (LAC), according to the World Economic Forum (WEF) Global Gender Gap report.**

We believe that IDB Invest, the private sector institution of the Inter-American (IDB) Group, has a role to play in accelerating that progress.

We are convinced that gender lens investing, a strategy to obtain financial returns while advancing gender equality, is central to our role as an international development institution focused on impact. Globally, this type of investing has been incorporated into a wide variety of investment opportunities, including private debt and innovative financial structures such as fixed income, exchange traded funds and exchange traded notes (ETF and ETN), Seed Capital (SC), Venture Capital (VC) and Private Equity (PE) opportunities, but these vehicles are still incipient in LAC.

IDB Invest is helping to shape the gender lens investment market in LAC by highlighting investment opportunities for local, national, and international investors, facilitating deeper understanding about market trends, supply, and demand for investment products in this space, and advising our clients on best practices. Some of our clients are well-advanced with activities promoting gender equity and women's leadership in the workplace, and providing access to capital and/or products and services that improve women's lives. Other clients have more limited experience and/or see this issue as part of broader sustainability goals. These clients need guidance on how to construct strategies focused on women as employees and/or customers.

Based on the success we have achieved by integrating a gender perspective among our clients in the financial sector, we have expanded this gender lens investment approach to other industries in which this vision has been less advanced, such as infrastructure, manufacturing, tourism and telecommunications. In these sectors, we are identifying challenges, assessing them, and working to create more equitable and profitable companies, combining advisory services with investments. These efforts help our clients to align with Sustainable Development Goal (SDG) 5: achieve gender equality and empower women and girls, with focused attention and metrics to measure success.

In parallel, and beyond the loans traditionally given by microfinance institutions and recently by some banks to women entrepreneurs, we see an increasing interest among socially responsible

investors for other types of assets, such as equity investments and gender bonds.

We know that it takes time to introduce this new lens across asset classes and we are thus partnering with different investors and donors who are motivated to pilot and experiment with innovative financial structures in LAC.

Undoubtedly there is a lot of work to do. There is still a significant financing gap among women entrepreneurs in the region. Practices and cultural norms often restrict women's advancement in the workplace and most of the products and services available to them continue to be designed by and for men.

**We hope this paper offers the reader information regarding the business opportunity that gender lens investing presents in LAC and inspires a sense of urgency to deepen the work that is beginning to be developed. This is only the beginning. We hope you will join us!**

## PREFACE BY

KOLDO  
ECHEBARRIA,  
*DIRECTOR  
GENERAL  
OF ESADE*

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**When women and men have equal opportunities and rights, economic growth and social development accelerates.** Increasingly studies are showing that investing in women is not only a moral imperative, but brings with it significant economic and business opportunities.

ESADE, as a business school committed to achieving fairer and more sustainable societies, considers gender equality as a priority challenge and opportunity. Our research reflects this.

For example, the ESADE's Institute of Social Innovation has been an academic pioneer in the theme of female social entrepreneurship and gender lens investing. It has co-ordinated a European project in consortium with four other countries aimed at female social entrepreneurs. The WISE project (Women Innovators for Social Business in Europe) offered a comprehensive development program for female-led social enterprises. Subsequently, ESADE's Institute of Social Innovation has been promoting a series of research papers that have continued to deepen our understanding of both the challenges facing women when it comes to entrepreneurship, as well as the economic opportunities involved in advancing gender equality. This line of research culminated in 2017 with the publication of the first study on gender lens investing in Europe.

The present collaboration with IDB Invest allows us to consolidate this line of research by jointly developing the first overview of gender lens investing in Latin America and the Caribbean. This is still a new issue in the region but one that is awakening the growing interest of private sector investors. This is not surprising: the potential is huge. The study that we present illustrates this - with the increasing participation of women in the labour market, there are major opportunities to invest in women as entrepreneurs, employees and as customers. **In this context, investment with a gender focus can generate a financial return as well as contributing decisively to advancing gender equality.**

# EXECUTIVE

## SUMMARY



## Gender lens investing recognises women as one of the world's greatest under-utilized assets and a significant market opportunity.

Gender lens investing is an ever-growing and increasingly well-established investment strategy which crosses asset classes, and which seeks to intentionally and measurably address gender disparities and/or examine gender dynamics to better inform investment decisions.<sup>1</sup> **Its key idea is that investments can simultaneously generate financial return and advance gender equality.** While there are many different ways of approaching gender lens investing, the framework of this paper focuses on incorporating gender into investment decisions in three main areas:

1. Investing in women-led businesses;
2. Investing in companies supporting gender equality in the workplace; and,
3. Investing in companies developing products and services that positively impact women.

Why gender lens investing? Simply put, companies and countries that include and empower women perform better than those that do not. **Beyond a moral justification, there is the potential to improve the risk/reward profile of investors' portfolios.**

## A POWERFUL GLOBAL TREND

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Within socially responsible investing, gender is increasingly a priority topic as awareness and acceptance of the benefits of gender diversity as well as the scale of the gender gaps in the workplace grows, women investors become a more prominent part of the investment landscape and there is more sex-disaggregated data available. For example, between 2016 and 2018, institutional asset owners surveyed by US SIF applying Environmental, Social and Governance (ESG) criteria more than doubled the amount of assets to which they applied gender lens criteria (from US\$397 billion in assets in 2016 to US\$868 billion of assets in 2018).<sup>2</sup> A wide range of investors and asset managers are seeking to shape social change, whilst simultaneously generating competitive returns.<sup>3</sup> In the last few years, public markets and private equity gender lens investment vehicles with more explicit gender lens mandates grew explosively. In 2018, such private equity vehicles amount to over US\$2.2 billion in funds raised<sup>4</sup> and US\$2.4 billion Assets Under Management (AUM) were invested in gender lens strategies in the public markets.<sup>5</sup> Meanwhile, progressive corporates are increasingly going beyond counting the number of women employees to evaluating gender impacts, risks and opportunities across their entire value chains in a more sophisticated and nuanced way.

1. GIIN, Gender Lens Impact Investing Factsheet, 2018.

2. US SIF, Report on US Sustainable, Responsible and Impact Investing Trends, 2018.

3. UBS, On the Road to Parity, Gender Lens Investing 2016.

4. <https://www.wharton.upenn.edu/story/7-takeaways-from-project-sage-2-0-the-global-scan-of-gender-lens-private-equity-vc-and-private-debt-funds/>.

5. Veris Wealth Partners, Gender Lens Investing, Bending the Arc of Finance for Women and Girls, 2018.

# A COMPELLING BUSINESS CASE FOR GENDER LENS INVESTING IN LATIN AMERICA AND THE CARIBBEAN (LAC)

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McKinsey forecasts a **gross domestic product (GDP) annual growth opportunity of US\$2.6 trillion for Latin America in 2025 in a world in which women participate in the market economy to an identical extent as men.**<sup>6</sup>

## 1. INVESTING IN WOMEN-LED BUSINESSES - IN LAC THEY NEED AND WANT FINANCE.

Although women in LAC are very entrepreneurial (often out of necessity)<sup>7</sup>, they struggle to get the right finance and support for their businesses. Lack of access to capital is perceived as the main reason for women-led businesses to fail and the region has the second highest failure rate of women-owned businesses globally.<sup>8</sup> The credit gap in LAC is significant, at US\$5 billion for women-owned micro businesses and US\$93 billion for women-led small and medium-sized enterprises (SMEs).<sup>9</sup> Women entrepreneurs with innovative, scalable, high-growth business are not receiving sufficient debt or equity financing.

For example, the LAC impact investing industry (which invests for financial as well as social impact returns) has invested only 10% of capital into women-led businesses.<sup>10</sup> However, gender lens investing for women-led businesses's access to finance is emerging in LAC across asset classes.

In the public markets, gender bonds are also increasing the flow of capital to women. They draw upon lessons learnt from sustainable, green and social bonds. These bonds are new investment instruments for socially responsible investors interested in promoting gender equality.

In the private markets, the microfinance sector and community development financial institutions have traditionally focused on women borrowers and have a strong history in LAC. Commercial banks have worked with institutional investors, including Multilateral Development Banks (MDBs), to address the SME credit gap facing women-led businesses in LAC. These banks offer targeted lending lines and technical assistance to such SMEs. In addition, other private markets investments such as Seed Capital (SC), Venture Capital (VC) and Private Equity (PE) Funds are growing very fast in the region especially in Brazil, Mexico and Colombia. In 2017, VC investments surpassed US\$1 billion in Latin America.<sup>11</sup>

Although pioneering funds are operating with a gender lens and several impact investment VC funds are conscious of the

6. Includes erasing the current gaps in labor participation rates, hours worked, and representation within each sector. McKinsey Institute, *The Power of Parity. How advancing women's equality can add US\$12 trillion to global growth*, 2015.

7. Global Entrepreneurship Monitor. *Global Report 2017/18*.

8. G. Cardoz, A. Fernandez, C. Ilie, H. Tejada, 'Entrepreneurship and Gender in Latin America', INCAE Business School, February 2018.

9. IFC, *MSME Finance Gap*, 2017.

10. LAVCA, ANDE, LGT Impact Ventures, *Impact Investing in Latin America Regional Overview*, 2016.

11. <https://news.crunchbase.com/news/with-brazil-leading-the-way-vc-investment-in-latin-america-has-more-than-doubled/>

importance of gender diversity in their entrepreneurship portfolio and team, the PE/VC industries in LAC do not proactively consider gender in investment analysis. On a positive note, the entrepreneurship ecosystems in the region are becoming increasingly gender-aware, with many networks and capacity-building organizations for women entrepreneurs created in the last few years, as well as more players in the existing ecosystem such as accelerators becoming increasingly sensitive to the issue of gender and entrepreneurship.

## **2. INVESTING IN COMPANIES SUPPORTING GENDER EQUALITY IN THE WORKPLACE - GENDER DIVERSITY CAN LEAD TO BUSINESS AND INVESTOR GAINS.**

There is mounting global evidence of a correlation between gender diversity and superior business results and then investor returns. This is likely to be due to the benefits of diversity on group decision-making, as well as the distinct leadership skills, perspectives and experience that women can bring to the table. Gender diversity at board level in publicly listed companies is correlated with an increase in net revenue and a higher return on sales and invested capital.<sup>12</sup> A McKinsey analysis of Latin America concluded that publicly listed companies with higher female representation yielded 44% higher returns on investment and 47% higher profit margins.<sup>13</sup> Despite this evidence, 63% of companies in Latin America declared that gender diversity is not a strategic priority.<sup>14</sup> Gender diversity in companies in LAC is currently low, particularly at leadership levels, with women representing 8.5% of board members and 9.2% of top management employees in publicly listed companies.<sup>15</sup> There is an opportunity to improve gender diversity in many corporates by using diagnostic tools (e.g. the Women's Empowerment Principles Gap Analysis Tool) and by obtaining national seals such as the gender equality seal of the United Nations Development Programme (UNDP) or international certifications such as the Economic Dividends for Gender Equality (EDGE) that will have the added benefit of attracting sustainable investment capital. Globally there has been a mushrooming of public markets strategies supporting gender equality in the workplace, including gender bonds to lend to companies leading in this area. In LAC, public markets gender lens investing opportunities relate to screening public equities and using indices which include a gender dimension and transparently document the gender-equitable practices of companies. Currently in LAC there are no gender equality focused Exchange Traded Funds (ETF), Exchange Traded Notes (ETN), mutual funds or bonds to support companies which are striving to improve gender equality in the workplace.

12. Catalyst, *The Bottom Line: Corporate Performance and Women's Representation on Boards (2004-2008)*, 2011; Marcus Noland, Tyler Moran, Barbara Kotschwar, *Is Gender Diversity Profitable? Evidence from a Global Survey*, Peterson Institute for International Economics, 2016.

13. McKinsey, *Women matter: A Latin American perspective: unlocking women's potential to negate corporate performance*, 2015.

14. *Ibid.*

15. IDB Invest, [The power of gender equality in the workplace, 2018](#).

### **3. INVESTING IN COMPANIES DEVELOPING PRODUCTS AND SERVICES THAT POSITIVELY IMPACT WOMEN - THE POWER OF WOMEN'S MARKETS (WOMEN AS CUSTOMERS) IS GROWING.**

The incomes, purchasing power and investible wealth of women in LAC have risen steadily over the last years and will continue to grow, driven by growing educational parity and increased labor market participation. This trend is only set to intensify with the number of women in LAC working expected to increase by 20 million from 2017-2030. Globally, by 2025 women are forecast to control 75% of consumer spending<sup>16</sup> and to be the most significant wealth-holders.<sup>17</sup> Responding to these trends, corporates in LAC can identify the specific needs and preferences of women customers and ensure a gender lens in product, design, marketing and supply chain management. There are also specific opportunities by sector where there are identifiable gender equality gaps, such as in telecommunications, health and financial inclusion. For example, in LAC women are less likely to own a cell phone, a bank account, a savings account and to have insurance products. Additionally, the strong development of the sharing economy and fintech in LAC where women can particularly benefit from these disruptions provide exciting investment opportunities. Impact investors in LAC, particularly those based in the United States (US), are exploring more of the breadth of gender lens investing strategies, and bringing more socially oriented gender lens investing capital into the region. They are going beyond only investing in women-led businesses, to deploying capital to enterprises that positively affect women via products and services.

#### **LOOKING TO THE FUTURE: LEARNING FROM THE GLOBAL MOVEMENT WHILE FORGING A UNIQUE PATH FOR LAC**

There are limited readily investible LAC-based gender lens investing products and vehicles at this time. Whilst investors based in LAC could gain access to some private markets opportunities from other regions, there are few global public markets opportunities available. The supply of LAC-based products and vehicles is limited since the investment community in LAC has not yet embraced the opportunity of gender lens investing. For example, few fund managers consider gender within their investment analysis and make specific efforts to seek out or target the expanding pipeline of women-led businesses or businesses that positively affect women. Financial intermediaries including commercial banks as well as corporations tend to be male-dominated, particularly at senior levels, and most do not offer holistic value propositions for women customers. Encouragingly, female representation at senior levels is an emerging issue and initiatives to

16. EY, Women the next emerging market, 2013.

17. Harnessing the power of women investors in wealth management, Ernst Young, 2016.

increase more gender diversity at decision-making levels are bubbling. **Moving forward, gender diversity, a gateway to broader racial, ethnic and socio-economic diversity, will compound the benefits of bringing different perspectives into corporate leadership.**<sup>18</sup>

We believe there is a significant and timely opportunity to create dedicated gender lens financial products and vehicles for the LAC capital markets (for example, a VC fund focused on female entrepreneurs or an exchange traded fund (ETF) in LAC with a gender lens), which could replicate and adapt those developed in other geographies. While much of this product innovation can be done within private capital markets, there is significant opportunity for cross-sector collaborations which involve public, private and corporate capital. To consolidate and coordinate different investment strategies across LAC, platforms and alliances could be built to facilitate institutional and individual investors' ability to move capital with a gender lens in the region, and to effectively match supply and demand.

What can drive this change? Women investors in LAC can become more active as they are in the US and Europe by creating demand for and catalyzing such gender lens investing product offerings. They can demonstrate demand for gender lens products or advocate for the adoption of a gender lens within their existing investor communities. And men who see the value of gender diversity and gender lens investing can be vocal advocates and start to move their capital as well. Banks can begin to more actively develop gender lens strategies for clients, including women investors who are specifically interested in investing in gender diversity. Corporates in the region who are already aware of and interested in serving the women's market can incorporate gender into their market segmentation analysis and improve their internal gender equality practices.

Over the next years, the quality and quantity of gender-related data and research should continue to expand, making it easier for investors to consider gender-related issues in their decisions. For corporates, the power of women's markets is an area that will become more important and valuable, as women further take center-stage in the economy. Meanwhile, as more public equities strategies emerge including a gender analysis, public companies have a particularly strong incentive to embrace the benefits of gender diversity. In the same way that today there are many asset management products linked to environmental protection or labor rights, new products linked to gender analysis will be developed in the coming years. And as responsible investing becomes more integrated with conventional investment approaches, **a focus on gender diversity could become the new normal in the market.**<sup>19</sup>

18. The Economist Intelligence Unit of behalf of Barclays Foundation, "Women in Focus", 2014.

19. The Economist Intelligence Unit of behalf of Barclays Foundation, "Women in Focus", 2014.

# ABOUT

## ABOUT THE STUDY



Gender lens investing, situated at the nexus of finance and gender, was termed by the Criterion Institute in 2009 and is a rapidly growing movement. Spreading awareness, knowledge and best practice is key to expanding the field. Although gender lens investing is a global strategy, literature and visible leadership has been concentrated particularly in North America and Europe. **This study is the first piece of detailed research on gender lens investing in Latin America and the Caribbean (LAC).** It adds to other regional analyses of gender lens investing emerging in the last few years in Asia<sup>20</sup> and in Europe<sup>21</sup> (authored by the same team as this report at the ESADE Institute for Social Innovation).

The specific objectives of the study are to:

- » Describe the opportunity for different gender lens investing strategies in LAC;
- » Highlight key case studies and current activities in LAC; and
- » Offer top-level recommendations for how different players can put gender lens investing into practice.

It is not intended to be a comprehensive landscaping of gender lens investing activities in LAC.

Our hope is that this research helps to catalyze more gender lens investing activities in the region by providing a much-needed starting point and reference for entrepreneurs, investors, ecosystem players and corporates to explore and pursue such strategies. We also believe that it will be useful to investors not currently active in the region, but who are looking at global gender lens investing opportunities. Finally, it will help the global gender lens investing movement with a more detailed and synthesized regional overview.

20. USAID, *Gender Lens Investing in Asia* (2015).

21. L. Buckland, M. Cordobés, ESADE Institute for Social Innovation, *Gender Lens Investing: An Opportunity for the European Social Enterprise Ecosystem*, 2017.

## METHOD

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The ESADE research team conducted an extensive bibliographic review of gender lens investing internationally and in the LAC region, including an overview landscaping analysis of organizations implementing such strategies. In order to understand the state of gender lens investing in the region, as well as key opportunities and challenges, we conducted twenty-five one-hour long semi-structured qualitative interviews by videoconference. We spoke to investors, ecosystem players and key intermediaries in the region, seeking to understand what their organizations were doing, their level of awareness of different gender lens investing strategies as well as their perspectives on key opportunities and challenges. [The Annex A](#) contains a list of interviewees.

## LIMITATIONS

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Gender lens investing is a dynamic movement, and so this study may not have incorporated all of the organizations regionally implementing gender lens investing strategies. There is possibility of bias as analysis relied on the subjective opinion of interviewees. As a regional study, this report did not go into country-specific gender lens investing activities, which we are aware could be important in the next phase of gender lens investing research in the region.

## ACKNOWLEDGEMENTS

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We are extremely grateful for the precious time given by the interviewees for this study. We would also like to thank the wonderful reviewers Rachel Bass and Naoko Kimura from the Global Impact Investing Network (GIIN), Suzanne Biegel, an expert collaborator on this subject, and Olga Mayoral of IDB Invest, for her support in developing this paper.

# 1. INTRODUCING

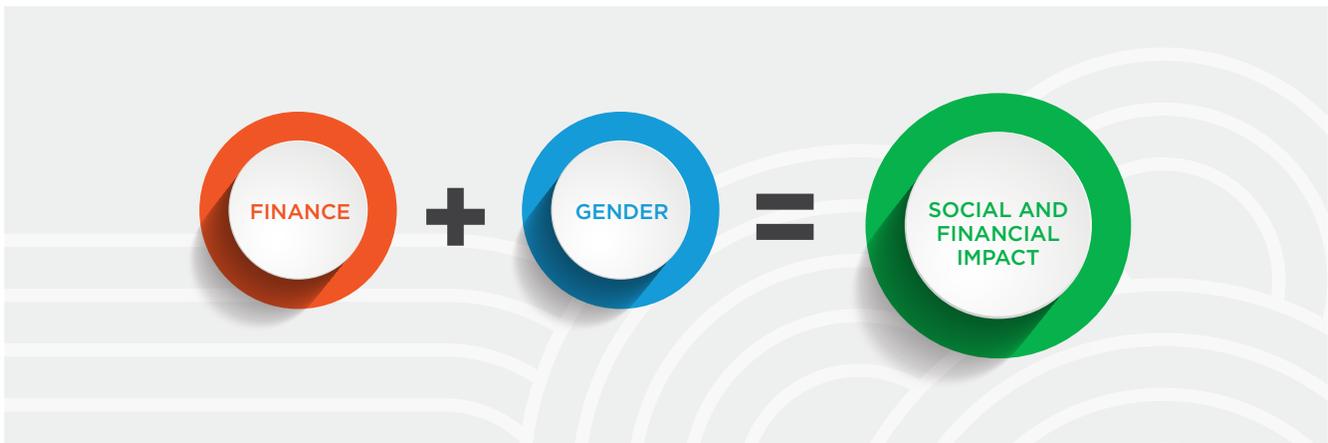
## THE CONCEPT



# 1.1 WHAT IS GENDER LENS INVESTING

There is growing recognition of the central role that women play in the world economy. Emerging from this heightened awareness is a movement focusing on the nexus of gender and investment – gender lens investing. **Its key idea is that investments can simultaneously generate financial return and advance gender equality. While there is no one standard definition of gender lens investing, for the purpose of this paper we explore three major foci to date:** i) investing in women-led businesses; ii) investing in companies supporting gender equality in the workplace; and iii) investing in companies with products and services directed at having a positive impact on women.

Each area includes opportunities in the public and private markets and across different asset classes. In the paper, we touch on the many different players from the investment and business communities that make up the gender lens investing ecosystem: Micro Finance Institutions (MFI), commercial banks, MDB, corporates, private investors, financial intermediaries, SC, VC and PE funds, accelerators, foundations and Non-governmental Organisations (NGO).



» Gender lens investing considers that **gender cuts across all aspects of society**, including economic and financial sectors, and that all investments have gendered impacts.<sup>22</sup> **Traditional financial analysis has mostly ignored gender considerations**, and there have been significant imbalances in who has benefited from capital flows. This has stifled innovation, limited gains and masked risks for enterprises.<sup>23</sup>

» Gender lens investing includes **investment strategies in the private markets** (SC, VC, and PE) **as well as within public markets** (public equities, fixed income). It is a pro-active, intentional investment strategy that crosses asset classes and strategies.

22. David Venn, "Turning intentions into Action: how to boldly implement gender lens investing". Published at NextBillion.com, July 2018.

23. Veris, 'Women, Wealth and Impact: Investing with a Gender Lens 2.0', 2015.

## 1.2 GENDER LENS INVESTING – STRATEGIES, ASSET CLASSES AND PLAYERS

» Investors can **intentionally integrate gender analysis into financial analysis to make better investment decisions**. Gender lens investors believe that asking deeper questions about gender will lead to better financial and societal outcomes.

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In this paper, we include concrete gender lens strategies as well as investment strategies where gender is considered in the context of broader sustainability factors. The market for the latter is substantially larger, but less centrally focused on explicit gender lens strategies.

Gender lens strategies **include an intentional search for solutions to gender equality**.<sup>24</sup> These might include, for example, investing in a VC fund that prioritises women entrepreneurs or investing in an Exchange Traded Fund (ETF) which only includes companies that rate highly on gender equality.

Environmental, Social and Governance (ESG) investing, on the other hand, considers gender as one topic among many others. ESG factors cover a wide spectrum of issues, such as how companies respond to climate change, how effectively they manage water resources, their health and safety policies, how they manage their supply chains and how they treat their workers, among others. Currently more than a quarter of the world's assets are managed according to ESG criteria.<sup>25</sup> **Within ESG investing, gender is becoming a more important topic** as awareness and acceptance of the benefits of gender diversity as well as the scale of the gender gaps in the workplace grows, in part supported by more sex-disaggregated data. Investors are becoming interested in investing in gender equality and while this is still early, it is becoming a more visible part of the investment landscape. Gender diversity is garnering increasing attention from a wide range of investors and asset managers seeking to support social change while simultaneously generating financial returns.<sup>26</sup> ESG investors can integrate gender diversity criteria by minimizing exposure to companies with poor gender diversity records and seeking out gender diversity leaders.

There is a strong link between explicit gender lens investing and broader ESG investing. We believe that gender diversity is emerging to become a greater priority and a key criterion for investors and asset managers who want to improve returns and heighten their performance against ESG metrics.<sup>27</sup>

24. Morgan Stanley, 'The Gender Advantage. Integrating Gender Diversity into Investment Decisions.'

25. Global Sustainable Investment Alliance, 'Global Sustainable Investment Review', 2017.

26. The Economist Intelligence Unit of behalf of Barclays Foundation, "Women in Focus", 2014.

27. The Economist Intelligence Unit of behalf of Barclays Foundation, "Women in Focus", 2014.

More targeted and sophisticated investment vehicles will become available. In the same way that today there are many asset management products linked to environmental protection or labor rights, new products with a gender lens mandate will be developed in the coming years. And as ESG investing becomes more integrated with traditional investment approaches, **a focus on gender diversity could become the new normal in the market.**<sup>28</sup>

## THE GROWTH OF GENDER LENS INVESTING GLOBALLY

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Gender lens investing is an ever-growing and increasingly well-established investment strategy, particularly in the US.

» In the US in 2018, **gender lens investing affected the management of US\$868 billion in institutional investor assets**, up from US\$397 billion in 2016. Money managers considered equal employment opportunity and diversity across US\$843 billion in assets at the start of 2018, up from US\$249 billion in 2016.<sup>29</sup>

» **Explicit public equities gender lens strategies** in 2018 accounted for over US\$2.4bn of AUM<sup>30</sup> Since 2013, more than 30 gender lens investing strategies in public markets have become available to investors, on average five new investment options per year. Since January 2017, 16 new strategies have launched. These vehicles span asset classes and structures, including: 14 separately managed accounts, nine exchange traded funds, seven mutual funds, three gender equality bond issues, one exchange traded note, and one certificate of deposit (CD). Initially a US phenomenon, public market gender lens investing offerings have an increasingly global footprint. Such strategies have launched in Canada

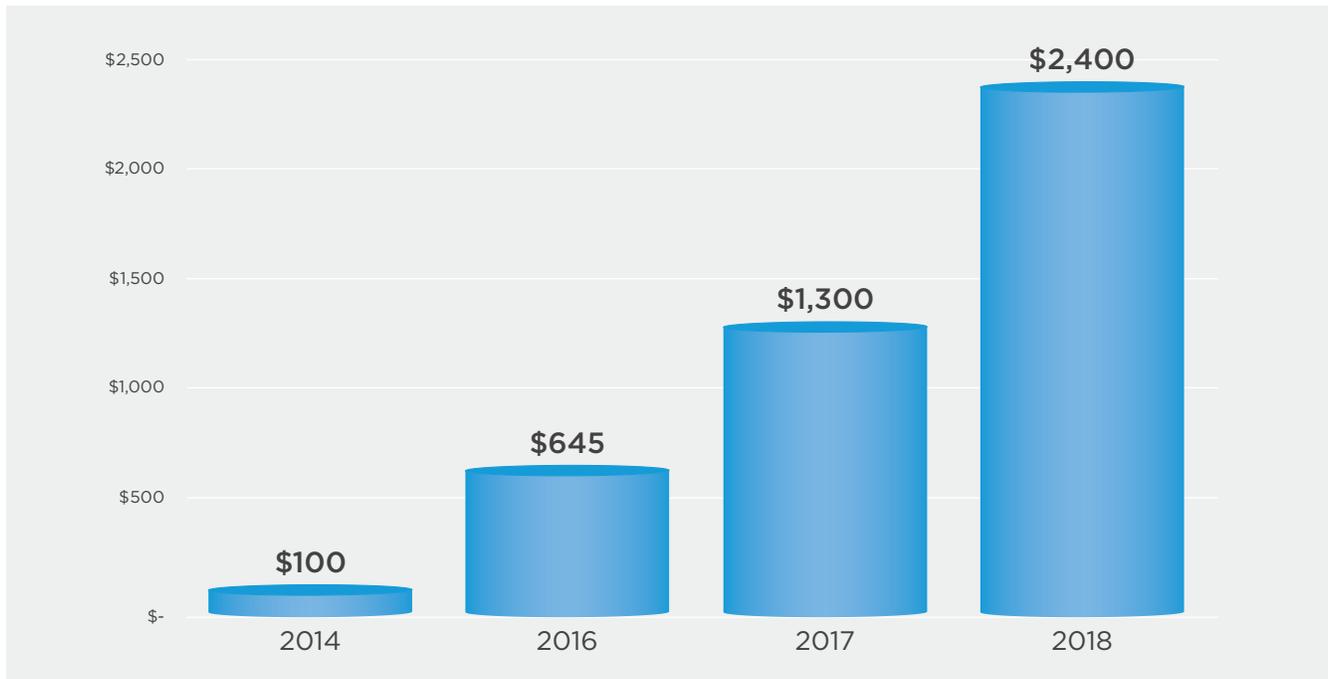
28. Ibid.

29. US SIF, Report on US Sustainable, Responsible and Impact Investing Trends, 2018.

30. Veris Wealth Partners, Gender Lens Investing, Bending the Arc of Finance for Women and Girls, 2018.

31. Veris Wealth Partners, Gender Lens Investing, Bending the Arc of Finance for Women and Girls, 2018.

**FIGURE 1:** Growth of gender lens investing opportunities in public markets (AUM US\$m)<sup>32</sup>



- » Globally, in the private markets, **VC/PE funds with explicit gender lens mandates have grown explosively** from US\$1.3 billion in 58 funds with gender-based strategies in 2017 to over US\$2.2 billion in 87 funds in 2018.<sup>33</sup> The rate of launch of funds is growing, with 19 funds launched in 2017 and 27 launched in 2018. Six of the 87 VC/PE funds state that LAC is one of the destinations for their funds.<sup>34</sup> In 2018, the regional diversity increased, with only 40% of funds in 2018 stating U.S. as their only target geography compared to 80% in 2017.
- » Global data show that **investor segments driving gender lens investing are women investors and millennials.** Both segments will be major wealth holders over the coming years, with women expected to own 32% of wealth by 2020. They are sensitive to sustainability investing (84% of women and 86% of millennials versus 67% of men cite their appetite for sustainable investing).<sup>35</sup> Women investors are particularly interested in gender diversity, with 79% wanting to invest in companies with strong gender diversity.<sup>36</sup>

32. Ibid.

33. <https://www.wharton.upenn.edu/story/7-takeaways-from-project-sage-2-0-the-global-scan-of-gender-lens-private-equity-vc-and-private-debt-funds/>

34. Ibid.

35. Institute for Sustainable Investing, *Sustainable Signals*, 2017

36. Center for Talent Innovation, *Harnessing the power of the purse: female investors and global opportunities for growth*, 2014.

## 1.4. GENDER LENS INVESTING IN A REGIONAL PERSPECTIVE

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This movement is in its early, embryonic phases in LAC, with a group of pioneering organizations and individuals building strategies. This was where the gender lens investing leader – the US – was only five years ago, and yet now there is a wide range of products and vehicles with a gender lens available for US investors and gender lens investing is starting to enter mainstream investment discourse.

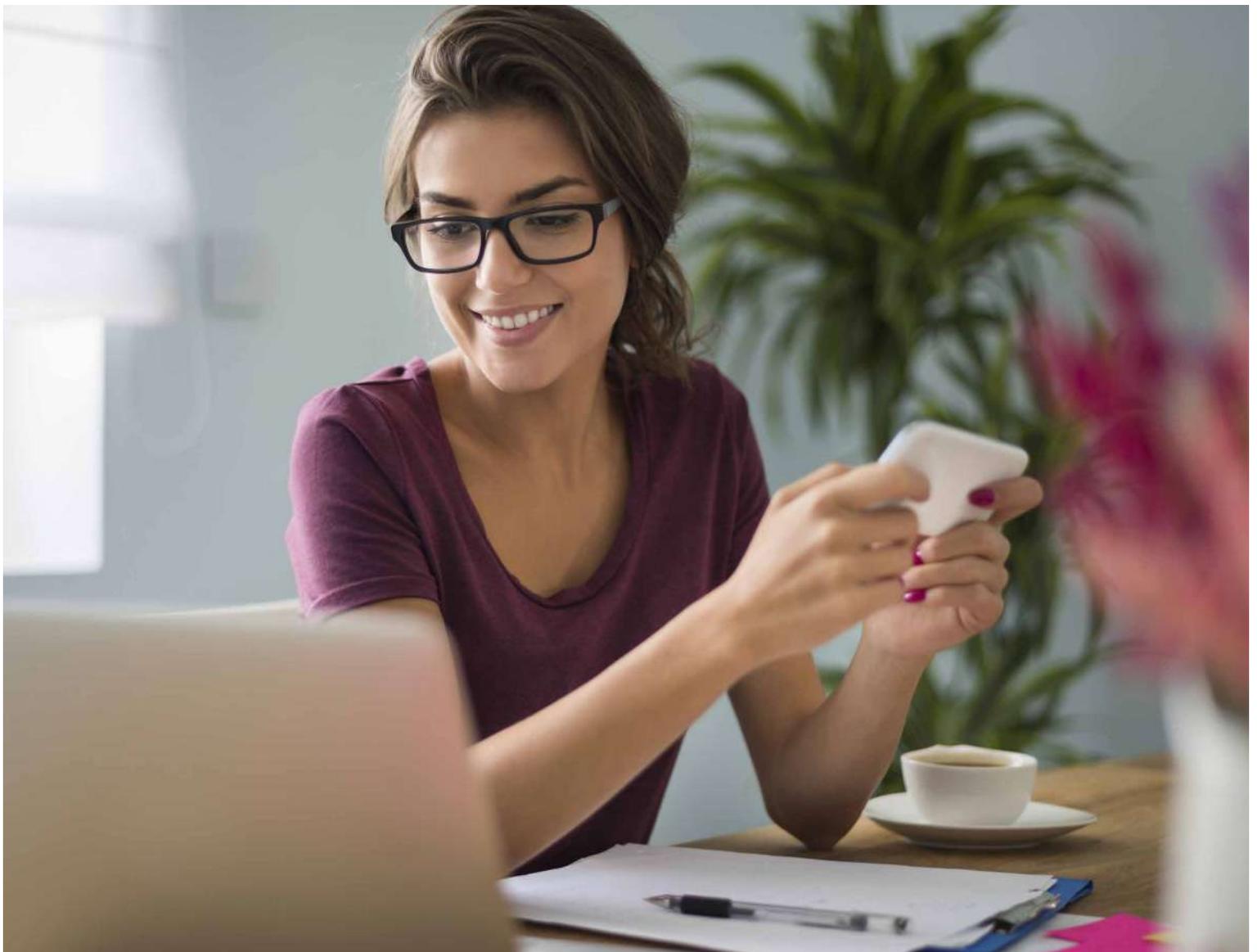
Canada and Europe are following the US example. The development of gender lens investing in the US, Canada and Europe was driven largely by high-net-worth individual investors encouraging the development of investment products and vehicles to move capital with a gender lens. Pension funds have also played a role and women investors have been critical to the development of this type of investing in these regions. In addition, private banks responded to demand from their clients and developed options to move capital by adding gender screens from workplace equity or board diversity to ESG investment funds.<sup>37</sup>

More recently in Australia and Asia, new gender lens investing capabilities, conversations and collaborations are emerging. As a region LAC has the potential, with growing interest and gender lens activity. However, gender has not yet become a priority investment topic and has not entered the mainstream investment discourse.

37. USAID, *Gender Lens Investing in Asia*, 2015.

# 2. IDENTIFYING THE OPPORTUNITY IN LATIN AMERICA AND THE CARIBBEAN

**THE BUSINESS CASE FOR GENDER LENS  
INVESTING**



**Gender lens investing makes business sense.** There is a developing business case for gender equality demonstrating that **women are perhaps the world's greatest under-utilized asset.** In 2016 McKinsey forecast a GDP annual growth opportunity of US\$28 trillion at the global level and of US\$2.6 trillion for Latin America if the gender gap is bridged.<sup>38</sup>

As we illustrate below, each of the three key gender 'lenses' presents investors with significant opportunities in the public and private markets: i) investing in women-led businesses; ii) investing in companies supporting gender equality in the workplace; and iii) investing in companies with products and services directed at having a positive impact on women.

## 2.1 INVESTING IN WOMEN-LED BUSINESSES

**The challenge:** the situation of women-led businesses in LAC

The region has higher rates of women entrepreneurship and a smaller gap in participation between men and women entrepreneurs than other regions. Women represent more than 40% of the region's economically active population, 17% of whom are entrepreneurs in the formal economy.<sup>39</sup>

Whilst there is huge potential in this wave of women entrepreneurship, some women entrepreneurs in LAC are struggling and need greater support. They can be stuck in the informal sector (over 60% of women in LAC work in this sector<sup>40</sup>), unable to grow beyond microenterprises or move out of the informal economy, which reduces their earning potential and size. Many face significant gender-related challenges which need to be tackled including greater domestic responsibility; weaker knowledge of available funding opportunities along with a lower level of financial education, especially in rural areas; fewer women role models in business; lack of extensive support networks (beyond family); and, lack of capital and assets and difficulties in accessing finance without legal ownership or a guarantee.

A recent study revealed that many **women entrepreneurs in the region feel that they have been discriminated against due to their gender** (27% versus 4% for men). Furthermore, 50.6% of women claim there is widespread inequality in entrepreneurship opportunities, including access to resources, adequate training, and business advice.<sup>41</sup> **Gender gaps in access to financial,**

38. McKinsey Institute, 2016.

39. GEM 2015/16 Latin America and the Caribbean Regional Report.

40. <http://www.unwomen.org/es/news/in-focus/csw61/women-in-informal-economy>.

41. G. Cardoz, A. Fernandez, C. Ilie, H. Tejada, Entrepreneurship and Gender in Latin America, INCAE Business School, February 2018.

## **human, and social capital are key constraints for the growth of women-led businesses in LAC.**

Indeed, lack of access to capital is perceived as the main reason for women-led businesses to fail. LAC is the region with the second highest failure rate of women-led businesses globally.<sup>42</sup> While a majority of men entrepreneurs indicate that they have closed their companies due to poor profitability; women entrepreneurs point out the difficulty of obtaining financing as the main impediment to continuing their businesses. The credit gap in LAC is US\$5 billion for women-led micro businesses and US\$93 billion for women-led SMEs.<sup>43</sup>

There is an excellent opportunity for gender lens investors to target this underserved women entrepreneurship market. As the Global Banking Alliance has illustrated, women customers show stronger savings behaviour (16% more likely than men to save for future expenses), lower risk (on average they are more likely to pay back loans) and higher growth and lower attrition. Banks can better target women by marketing effectively to them, providing them with the services that they want, and supporting them with better information, financial education, networking opportunities etc. The evidence is that financial intermediaries which implement programs that effectively meet the needs of women see impressive financial returns and are recognized internationally for their leadership role in this sphere.

42. Ibid.

43. IFC, MSME Finance Gap, 2017.

**The gender lens investing opportunity:  
women-led businesses in LAC need and want  
finance and are currently an under-served  
segment**

## PRIVATE MARKETS STRATEGIES

### MICROFINANCE

Microfinance has a long tradition and is a well-developed sector, particularly in countries such as Bolivia, Perú, Colombia and Nicaragua. Some 1,000 microfinance institutions: commercial banks, MFIs and NGOs, manage a portfolio of US\$40 billion, reaching 20 million low-income clients, mostly women and people in rural areas.<sup>44</sup>

An example of a leading microfinance organization in Latin America is *Pro Mujer* which is dedicated to meaningfully improving the livelihoods of women in Latin America through a combination of financial, health, and educational services. Their integrated approach includes: financial services (loans, savings, insurance), training in basic business skills and entrepreneurship, health education (e.g., on gender-based violence, disease prevention, wellness, and personal development, etc.) and health screenings (cancer screening, diabetes testing, blood pressure checks). In 2017, Pro Mujer disbursed more than US\$ 393 million in loans and served 276,000 women. Pro Mujer operates in over 162 centers in five countries, and since its founding in 1990 has delivered more than 2.1 million health services at Pro Mujer centers and mobile clinics.<sup>45</sup> Its services are offered primarily through a communal bank and its clients have an average repayment rate of 97%.

While the microfinance sector faces some criticism due to a lack of rigorous evidence that it alleviates poverty or furthers women's empowerment<sup>46</sup>, it continues to be a key instrument for women-led micro and small enterprises when it is done right. Women represent 66% of microfinance borrowers in LAC.<sup>47</sup> The microfinance sector in LAC still provides opportunities for gender lens investors, especially to support those organizations innovating and using new technologies to reduce costs, develop new distribution channels and, ultimately, better address the financial needs of their women clients.

A key challenge facing women entrepreneurs is the transition from microfinance to SME lending, and helping women entrepreneurs at the distinct stages of the development of their businesses. Too many women-led businesses in LAC remain at the micro-enterprise stage. There are organizations working directly on this challenge, such as Oxfam America through its Women in Small Enterprise program outlined below.

44. IDB, Financial Inclusion in Latin America and the Caribbean, Data and Trends, 2014.

45. <https://promujer.org/get-know-us/>

46. Abdul Latif Jameel Poverty Action Lab, Policy Bulletin February 2015.

47. Microfinance Barometer 2017.



## Investing in women emerging from microfinance programs

### Oxfam America's Women in Small Enterprise (WISE) Program in Guatemala

**Market gap:** women emerging from microfinance lending programs with businesses that show potential for further growth. These women often are not able to access growth capital as they fall into the 'missing middle financing gap': loan requirements larger than those offered by MFIs and smaller than what could be considered by mainstream banking institutions.

**Solution:** the WISE Fund, which supports loans to women entrepreneurs in partnership with local financial institutions, training programs for women designed to increase their economic leadership and efforts to strengthen the image of women entrepreneurs as role models and leaders in their communities.

**Innovation:** The WISE initiative combines impact investing with a rights-based approach to support women's economic empowerment.

## SME LENDING BY COMMERCIAL BANKS

A majority (73%) of women-led SMEs in the region report being financially unserved or underserved, and they need savings, insurance and other products to strengthen their businesses.<sup>48</sup> There is a general lack of credit for SMEs in the region, and the gender gap just compounds the challenge for women-led SMEs. Less than 15% of total credit in LAC is destined for SMEs, and the gap between the conditions needed to access credit for SMEs and large companies is bigger than in other world regions.<sup>49</sup>

**Women-led SMEs have less access to finance than those led by men.** Women enjoy the greatest access to microcredit, yet growth-oriented women entrepreneurs are often unable to access more sophisticated forms of financing, especially with appropriate terms and conditions. According to the World Bank Enterprise Surveys, only 35.8% of businesses managed by women use banks to access working capital and only 31% of women-managed firms use banks to finance investments. The low current percent of capital investments presents a particular challenge for growth if women entrepreneurs want to transition from a microenterprise to an SME. This represents an opportunity for financial institutions.<sup>50</sup>

A 2016 survey of 100 banks in LAC found that only 28% of banks thought that the women-led SME market was under-served and only 33% of banks had sex-disaggregated data.<sup>51</sup> Most banks

48. "Strengthening Access to Finance for Women-Owned SMEs in Developing Countries," 2011. IFC.

49. Frank, C., Lynch, E. and Schneider-Moretto, L., 2008. Stemming the tide of mission drift: Microfinance transformations and the double bottom line. Women's World Banking Focus Note.

50. Economist Intelligence Unit (EIU). 2013. Women's Entrepreneurial Venture Scope Index and Report 2013.

51. D'Alessio IROL. 2017. Tracking Sobre la Predisposición de las Entidades Financieras de Latinoamérica y el Caribe para la Financiación de Las Pequeñas Y Medianas Empresas. Felaban, Multilateral Investment Fund, Inter-American Investment Corporation; Oxfam (2018). Understanding Structural Barriers & Hidden Bias in Access to Credit for Women-Led Businesses.

continue to practice traditional, low-cost marketing strategies and occasionally they may offer ad-hoc non-financial services, such as business training and mentoring. Due to a general lack of sex-disaggregated data, banks in the region tend to lack sufficient knowledge of their women clients and have limited capacity to develop flexible channels and products suited to women's needs, preferences, and behaviors.

Whilst most banks in the region have yet to develop a customized service offering to address the needs of women-led SMEs and capture the opportunity, some banks and alternative finance providers in the region are slowly connecting more with the challenges and opportunities of the women-led SME sector. For example, in Nicaragua, **Enclude** is testing an innovative loan structure (Variable Payment Obligation) to help women-led SMEs often lack fixed assets or loan guarantors. The goal of the program is to facilitate SME-lending by local banks and third-party investors. The program targets companies in the manufacturing and production sectors that are well integrated in the supply chain and require substantial capital injection for capital expenditure to ensure further growth.

## ANGEL/SEED INVESTING AND FINANCING OF FEMALE-LED HIGH-GROWTH BUSINESSES

At the same time, there is an opportunity to better serve women entrepreneurs with innovative, scalable, high-growth business who are not receiving sufficient debt or equity financing. For example, the LAC impact investing industry (which invests for financial as well as social impact returns) has invested only 10% of capital in women-led businesses.<sup>52</sup> A study of high-growth entrepreneurs in LAC found that only 5% of women-led businesses had early stage equity when they started compared to 16% of men.<sup>53</sup>

There is a current mismatch between the demand from high growth women entrepreneurs for capital and the supply of appropriate products. In a recent study by Value for Women on women-led small and growing businesses (SGBs<sup>54</sup>) in Mexico found that **70% of women were looking for finance**. Yet, according to this report, many Mexican women-led businesses (42%) have never applied for credit due to high interest rates and aversion to indebtedness but also due to lack of appropriate credit products. 93% of the sample said they believe that there is a lack of financing opportunities available to and accessible for women-led businesses specifically, while very few (14%) reported knowing about opportunities for financing that exist for women-led businesses.<sup>55</sup>

52. LAVCA, ANDE, LGT Impact Ventures, Impact Investing in Latin America Regional Overview, 2016.

53. EY and Multilateral Investment Fund. WeGrow: Unlocking the Growth Potential of Women Entrepreneurs in Latin America and the Caribbean, 2014.

54. Women-led small and growing business defined as women-led firm where female ownership (one or multiple women) exceeds 51% and/or the firm has a woman CEO, president, general manager, or other chief executive position filled by a woman; has between 2 and 49 employees; annual sales between US\$13,888 and US\$500,000 USD; demonstrates a strong desire to grow and scale the business.

55. Value for Women, Exxon Mobil, Cherie Blair Foundation for Women, 'Understanding how to unleash the untapped potential of women entrepreneurs in Mexico,' 2018.

## ENCOURAGING PRIVATE MARKETS FINANCING OF WOMEN ENTREPRENEURS

Institutional investors and MDBs have encouraged greater sensitivity and awareness about gender in commercial banks and continue to innovate. An example of how the MDBs are supporting women entrepreneurs is the **IDB Group's program, women entrepreneurship Banking (weB)**, which was created in 2012 to facilitate access to credit and skills-building for women-led companies in the region.

### Advancing financial inclusion for women entrepreneurs - weB



**IDB's program women entrepreneurship Banking (weB)** facilitates access to financial and non-financial services (training, mentoring, networking) for women-led businesses in LAC through advisory services and investments into financial intermediaries. To date, it has supported 20 banks in 12 countries, approving nearly US\$800 million in investments and US\$5 million in technical assistance, to develop and market products and services for women-led MSMEs. The banks which are participating in the program are making impressive advancements serving their female customers.

Two key global organizations with a strong presence in LAC are also working to embed a gender lens into the financial services sector in the region:

- » **GLOBAL BANKING ALLIANCE FOR WOMEN (GBA)**, which is primarily focused on bank lending for SMEs. Founded in 2000, it is the only global consortium dedicated to supporting banks as they capture the opportunity of the women's market thus 'be 'first movers' in their women's market strategies. **One such bank is Itaú Unibanco, Brazil. With support from the IDB Group and the International Finance Corporation (IFC), it joined the GBA** to create the Mulher Empreendedora program, which provides capital and capacity building to women entrepreneurs. An IDB Invest loan from 2017 is helping to scale the program, whose main objective is to empower women entrepreneurs in Brazil. Another regional leader serving the women's market is BHD León in the Dominican Republic. BHD León is also a GBA member, and its CEO is a board member. BHD León is well known for its Mujer Mujer program<sup>56</sup>, a new women-focused initiative that adapted the bank's business model to ensure that women were at the forefront. As a result of these efforts, BHD León grew its women customer base by double or triple digits across all

56. <http://www.gbaforwomen.org/download/gba-case-study-banco-bhd-leon/>.

segments (primarily SME owners and individuals) since the launch, and today it is known throughout the country as the go-to financial institution for women.

- » **WOMEN'S WORLD BANKING (WWB)**, designs and invests in the financial solutions, institutions and policy environments in emerging markets to create greater economic stability and prosperity for women, their families, and their communities. With a global reach of 53 partners in 32 countries serving more than 30 million women clients, WWB drives impact through its scalable, market-driven solutions; gender lens private equity fund; and leadership and diversity programs. WWB has worked with IDB Group weB MFI partners, such as Interfisa Banco (Paraguay). WWB worked with Interfisa to design new products and services to reach rural women.

57. Qualitative interview with Mary-Ellen Iskenderian, Women's World Banking (WWB), August 2<sup>nd</sup>, 2018. Historic research of WWB illustrated that four years after the decision to transform the microfinance institution to a regulated entity, the sample group went from an average of 86% women clients to 59% women clients.

58. Calculated as increase in women clients of first 9 investees between beginning of investment and end of 2017 or exit if earlier.



### Catalyzing gender awareness Women's World Banking Capital Partners L.P. (2012)

**Market gap:** responding to data illustrating the decreasing focus on women clients as MFIs mature into becoming full-service, regulated financial institutions and decreasing representation of women in leadership positions.<sup>57</sup> There is an identified need for more demonstration, case studies and evidence of profitability of the women's banking segment.

**Solution:** US\$50m private equity fund, focused on Latin America, Asia and Africa with investments of US\$1 million to US\$7.5 million, WWB Capital Partners L.P. (WWBCP) seeks to demonstrate that providing women with access to financial services is profitable for banks and financial institutions, while contributing to the economic growth and welfare of families and communities. The fund has a 10-year life and seeks minority stakes in entities. It has made 10 investments in 9 countries to institutions serving over 7 million clients, 63% of whom are women. The fund works with institutions to ensure they are reporting on both financial and social metrics, including disaggregation of data by gender, and helps develop strategies to improve performance. The number of women reached by portfolio companies increased by 47%.<sup>58</sup>

**Innovation:** the only specifically women-focused and women-managed inclusive finance equity fund in the market. The twenty-seven investors in the Fund represent a mix of development finance institutions, private pension funds, microfinance investment vehicles and individual investors. WWBCP and WWB work closely with its investees to improve gender diversity inter-

nally at the company level and external gender performance in reaching the women's market with financial products and services. WWB endeavors to use all the tools available to a private equity investor to influence focused outreach to women as customers, staff and leadership.

**A key opportunity resides in meeting the women's financing gap through more diversified and innovative product development.**

The credit gap challenge can be seen as a starting point for designing products, services and programs tailored to the specific needs of women entrepreneurs. Other initiatives that will boost women entrepreneurship in the region include: the development of specialized VC funds focused on women entrepreneurs or diverse leadership teams; increasing the number of women investors; more gender-sensitive accelerator programs; and, campaigns to increase the visibility of women entrepreneurs.

## **VENTURE CAPITAL (VC) AND PRIVATE EQUITY (PE) INDUSTRIES**

The VC industry is still young in the region but growing very fast, especially in countries such as Brazil, Mexico and Colombia. VC investments surpassed US\$1 billion in 2017 for the first time, spiking by 128% over the US\$500 million seen in 2016, according to recent data from The Association for Private Capital Investment in Latin America (LAVCA).<sup>59</sup> The PE industry also enjoyed a record-breaking year in LAC in 2017, securing over 175 deals.

**Gender awareness is currently fairly low in the LAC investment industry, even amongst impact investors.** Gender is not perceived of as a particular issue or a priority, perhaps due to the relative youth of the industry and the lack of the awareness of the benefits of applying a gender lens. According to a survey by LAVCA of 78 impact investors in Latin America, 35% of respondents reported no investments and 30% reported that 10% or fewer of investments were in women-led businesses.<sup>60</sup> A major issue cited (as in other regions) for the relatively low ratio of women entrepreneurs in VC portfolios in LAC **is the weak pipeline.**

**Prior to 2018, there have been no VC funds in LAC with a specific quantified gender mandate to support women entrepreneurs or diverse teams.** However, some impact investment funds are gender-sensitive and conscious of the importance of gender diversity in their entrepreneurship portfolio. Examples include:

59. <https://news.crunchbase.com/news/with-brazil-leading-the-way-vc-investment-in-latin-america-has-more-than-doubled/>.

60. LAVCA Impact Investing in Latin America Regional Overview, 2016.

- » **NXTP LABS (LAC-wide):** invests in early-stage Latin American tech start-ups generating impact at scale and has invested in 198 start-ups. In their first tranche of investments, only 2% went to women founders. With the new focus on women entrepreneurs (outlined below), their portfolio is more balanced with 25% of investments in women founders. NXTP Labs' first fund was US\$38 million and it is currently raising a US\$120 million impact fund.<sup>61</sup>
- » **ELEVAR EQUITY (LAC-wide AND INDIA):** Since inception in 2006 Elevar has raised four impact investment funds starting with microfinance and then moving into other sectors such as education and agriculture that cross-cut with finance (their latest is a US +US\$100m fund). Out of the 33 companies in their four funds, to date, they have 8 women Founders or co-Founders - a ratio of about 25%. Their portfolio companies have a very strong representation of women in the management team (approximately 50%).<sup>62</sup> When Elevar looks at women as customers and in value chains, the picture is particularly rich from a gender dimension. One important note is not to limit gender lens investing to a sole focus on women entrepreneurs. Deepening their analysis to include women as customers and women through value chains, as Elevar Equity does, creates strong gender lens investing opportunities.
- » **ALLVP (MEXICO):** more than 30% of its portfolio comes from women-led startups, thus providing a special lens on women.<sup>63</sup>
- » **NEW VENTURES (MEXICO)** in partnership with *Pro Mujer* is raising a US\$2 million fund to support women social entrepreneurs, dispersing loans ranging from US\$25,000 to US\$200,000 through a revenue-based model.
- » **POMONA IMPACT** is an impact investment fund based in Guatemala, with a fully deployed pilot fund of US\$2 million which invested in 20 companies, 40% of which were women-led businesses. Pomona is launching a second fund this year (2019) targeting US\$30 million to invest in early growth businesses in agriculture and basic services in Central America and will incorporate a gender lens into its due diligence questions process. It has also used gender sensitivity training in an effort to address any unconscious biases.<sup>64</sup>
- » **MAKONDO** is a Colombian impact investment fund which focuses on businesses that open access to essential servi-

61. Qualitative Interview with Marta Cruz, Co-founder NXTP Labs, September 13th 2018.

62. Qualitative Interview with Johanna Posada, Partner, Elevar Equity, 26th July 2018.

63. Forbes, 'How to create an investment culture that supports female entrepreneurs,' Nov 21st, 2017.

64. Qualitative Interview with Sarah Sterling, Pomona Impact, November 20th, 2018.

ces, economic opportunities and a sustainable environment for women, marginalized populations and conflict victims. It explicitly targets ventures with gender diverse teams.

In order to further develop the gender lens investing field, in October 2018, **IDB Invest and OPIC** began the process of partnering to support Fund Managers with a gender mandate in LAC. This will narrow the gender financing gap by supporting investments in women entrepreneurs, companies with a significant share of women leaders and firms that generate jobs or consumer products for women. **Fund Mujer** will support the IDB Group's ongoing work with weB (supporting women-led businesses) and its commitment to increase women economic empowerment, as well as the recently launched **OPIC 2X Women's Initiative** which will invest in projects that support women in developing countries.

In addition to financing, increased capacity building for women entrepreneurs, including both soft skills and hard skills, is essential to overcome some of the barriers they face and **provide a more balanced and diverse pipeline for investors.**

The entrepreneurship ecosystems are becoming increasingly gender-aware, with many networks and capacity-building organizations for women entrepreneurs in LAC created in the last few years, as well as more players in the existing ecosystem adopting a gender lens.

An example of an innovative training and development center is **Dalia Empower** based in Mexico which aims to help women achieve their potential and get to leadership positions through its courses, events and educational platform. It has courses specifically designed for female entrepreneurs. In the impact investing sector, **Agora Partnerships**, an accelerator working with entrepreneurs across LAC has a strong gender lens reflected in: strong representation of women in leadership positions and on the board and a 50/50 balance of women/men entrepreneurs in its portfolio. It set up Accelerate Women Now, a media campaign to raise awareness of the gender capital gap. In Central America, **TechnoServe** has implemented **Impulsa tu Empresa** ("Drive Your Company"), to improve the business operations of nearly 1,000 small businesses across Guatemala, Honduras, Nicaragua and El Salvador. The program has made it a priority to not only build the capacity of women entrepreneurs - more than half of the participants- but has also worked to implement gender best practices at both men- and women-owned SMEs. **NXTP Labs** described below is also an accelerator with a gender lens.



## Networks and Accelerators Focusing on Women Entrepreneurs in LAC NXTP Labs

**Market gap:** lack of pipeline of high-growth women entrepreneurs to invest in. Marta Cruz, co-founder, NXTP Labs, *‘the reality in the region is that there are very few high-growth women entrepreneurs, mostly women are being entrepreneurs out of necessity. The greatest barriers facing women entrepreneurs are their own internal barriers – sometimes, for cultural reasons, they are more afraid of success than they are of failure.’*<sup>65</sup>

**Solution:** proactively advocates for gender equality and the empowerment of women in the business space. For instance, NXTP supported IDB Lab in the set-up of a platform to connect high-growth women entrepreneurs from LAC with mentors and investors called **WeXchange**. NXTP was also involved in the set-up of **Mujer Emprendedora LAC** with IDB and IDB Lab to create links and interconnections between entrepreneurs and give them visibility. The **manifesto for women entrepreneurs**<sup>66</sup> developed by Mujer Emprendedora LAC has obtained over 3611 signatories to date.

**Innovation:** a focus on the important part of connecting, mentoring, creating a community and visibility for women entrepreneurs.

## PUBLIC MARKETS STRATEGIES

### BONDS

There are new, innovative products being explored to increase capital for women clients in LAC, including women-owned SMEs, such as bonds to support women entrepreneurs that draw upon lessons learned from green, sustainable and social bonds. These bonds are new investment instruments for socially responsible investors interested in promoting gender equality. They diversity sources of funding, expand the investor base, and position the issuers as leaders in the space. While there are International Capital Market Association (ICMA)-issued principles for social bonds and green bonds<sup>67</sup>, there is no global and/or LAC standard for gender bonds.

The **IFC** launched the **Banking on Women (BOW) Bond Program** in 2013 to attract greater investments to help financial institutions profitably and sustainably serve women-owned businesses. All proceeds from IFC’s BOW Bonds are set aside in a designated account for investing exclusively in investment projects under IFC’s BOW program. Two BOW Bonds were issued in three currencies, raising US\$268.0 million in total. The LAC region accounted for

65. Qualitative Interview with Marta Cruz, co-founder NXTP Labs, September 13<sup>th</sup>, 2018.

66. <http://www.mujeremprendedoralac.org/manifiesto/>

67. <https://www.icmagroup.org/green-social-and-sustainability-bonds/>.

28% of issue disbursements, with funds going to two banks in the region to better support the needs of women entrepreneurs and SMEs: Banco Itau in Chile and Banco Internacional in Ecuador. The IFC has since merged its BOW program into a wider social bond program. Both women bonds were placed by Daiwa Capital Markets and sold to Japanese investors, illustrating the ability of gender lens to attract foreign investments to the region.

In 2016 **BancoEstado in Chile** issued the first ever social bond with a women entrepreneur focus by a Chilean bank of US\$94.2 million and issued a second bond of US\$147 million in 2017. Proceeds from the bonds are directed back into BancoEstado's Crece Mujer Emprendedora program which has a strong track record of serving women customers and business owners. The bank plans to issue additional international bonds in the coming years.<sup>68</sup> As of 2016, 53% of BancoEstado's clients are women, with 42% of mortgage loans and 53% of student loans going to women. Internally, women represent 47% of total staff members and 34% of management.

**Bancóldex**, a state-owned development bank in Colombia that mainly operates as a second-tier bank, has developed a framework for social bonds with which it intends to issue multiple bonds, with proceeds to be used to finance or refinance expenditures related to financing micro and small enterprises, with the aim of promoting financial and workforce inclusion, gender equality, and local economic development. The issuance of these bonds is aligned with Bancóldex's sustainability strategy and its mandate to promote the growth of micro and small business.<sup>69</sup>

In 2017, **Nacional Financiera, S.N.C.**, a Mexican development bank, issued the first social bond in Mexico. The bond proceeds are allocated to direct and indirect loans through the network of financial intermediaries based on the following criteria: i) access to basic services (education, professional training, financing for low-income and marginalized populations, including young entrepreneurs and students); ii) job creation through microfinance companies and SMEs; iii) socioeconomic development and women's empowerment through credit to women entrepreneurs to expand their businesses; iv) improved costs savings for low-income households with more efficient technology; and v) support for MSMEs affected by natural disasters.

68. <http://www.gbaforwomen.org/news-events/bancoestado-issues-first-ever-women-bond-in-japanese-markets/>.

69. [https://www.icmagroup.org/Emails/icma-vcards/Bancoldex\\_External%20Review%20report.pdf](https://www.icmagroup.org/Emails/icma-vcards/Bancoldex_External%20Review%20report.pdf).

**Caja los Héroes** successfully placed its first social bond for US\$40 million on the Santiago exchange in 2018, making it the first institution in the social security industry to carry out such an operation. The objective of this placement was financial inclusion through refinancing and growth of social credit. The bond has a six-year term, with a grace period of two years. In terms of financial inclusion management, 54% of the loans granted have been for those older than age 65 and 60% have been for women. In addition, 60% of these social loans have been for people earning less than US\$400,000 pesos.

**Banco Pichincha Perú**, a member of the Pichincha Group, Ecuador's largest private financial group, issued its first social bond for US\$13 million in late 2018. This social bond was structured for eligible investments in microfinance sector projects, SMEs, and mortgage loans focused on women's empowerment. The bond subscribed by IDB Invest is aligned with SDGs 1, 5, 8, 10, and 11. These projects make a significant contribution to the development of more vulnerable populations and micro and small businesses, the large majority of which are led by women.



### Top takeaways: Investing in women-led businesses

- » Access to capital is a major barrier to growth for women-led businesses, particularly SMEs. There is a **clear opportunity to focus investments on the under-served women entrepreneur segment.**
- » In the last five years there has been much greater activity in this sphere, including the development of organizations supporting women entrepreneurs, a greater intentionality by some investors to seek out such entrepreneurs and campaigns to increase the visibility of women entrepreneurs.
- » However, **the mainstream SC, VC, PE and banking sectors have not adequately understood and seized on the opportunity to support women entrepreneurs in the region.**

## 2.2 INVESTING IN COMPANIES SUPPORTING GENDER EQUALITY IN THE WORKPLACE

The challenge: gender equality in the workplace in LAC

If women participate fully in the economy, McKinsey forecasts a GDP annual growth opportunity of US\$28 trillion at the global level if the gender gap is bridged and of US\$2.6 trillion for Latin America in 2025.<sup>70</sup> **Women's work remains an important untapped resource throughout the world, and LAC is no exception.** Despite rising educational attainment, women in LAC still face both vertical segregation, where they are not represented at leadership level but also horizontal segregation where they are mostly represented in sectors that are traditionally underpaid.<sup>71</sup> This translates into companies that are not reaching their full potential.

- » **WOMEN ARE PARTICIPATING LESS THAN MEN IN THE ECONOMY:** LAC as a region has made significant strides, which have brought women's participation rates from under 45% in 1990 to around 68% in 2017. This improvement in LAC was the largest of any region in the world, driven by a broad-based improvement in all LAC sub regions but especially for the five largest South American economies.<sup>72</sup> Nevertheless, the gender gap within LAC countries remains sizable. Various studies have identified key barriers to women's participation in the labor force including: the lack of policies for work-life balance; employer discrimination and cultural expectations around the role of women at home.<sup>73</sup> For example, a survey in 2015 showed that nearly 40% of Latin Americans agreed with the idea that women should only work if their partner did not earn enough.<sup>74</sup>
- » **WOMEN ARE OFTEN UNDERREPRESENTED IN LEADERSHIP ROLES AND OVERREPRESENTED IN PART-TIME, LOW-SKILLED AND INFORMAL ROLES.** A study by the IDB on more than 1,200 listed companies in LAC found that the average percentage of women among board members and top management employees in LAC companies is respectively 8.5% and 9.2%.<sup>75</sup> The World Bank Enterprise Surveys found that only 20% of firms in the region have at least one women top manager. Furthermore, women represent between 1% and 3% of presidents or CEOs of the largest firms of the region.<sup>76</sup>

70. McKinsey Institute, 2016.

71. Meza Martínez, C. A. Gender discrimination in the workplace: An approach from the glass ceiling effect, 2018. *Equidad y Desarrollo*, (32), 11-31.

72. IMF, "Women at work in Latin America and the Caribbean". IMF Working paper 17/34, 2017.

73. IDB, "La mujer como protagonista de la economía del siglo XXI", 2018.

74. Latinobarómetro. 2017. «Latinobarómetro Survey 2015». <http://www.latinobarometro.org/lat.jsp>

75. IDB, "Female Corporate Leadership in Latin America and the Caribbean Region. Representation and Firm-Level outcomes". <http://www.gbaforwomen.org/news-events/bancoestado-issues-first-ever-women-bond-in-japanese-markets> / Working Paper Series N° IDB-WP-655, 2013.

76. IDB, "Women's economic empowerment: good for women, good for business and good for development", 2015.

» **THERE IS A PERSISTENT GENDER PAY GAP.** In 18 countries in LAC, men earn 17% more than women despite having the same educational level. In countries such as Colombia, Peru, Venezuela, Brazil, Chile, Mexico and Argentina women earn from 49 to 68 cents for every dollar a man makes.<sup>77</sup> This gender pay gap can be partly attributed to occupational segregation with 7 out of 10 women employed in the service sectors. Women hence face a double discrimination: on top of being underrepresented in leadership positions (which tend to have higher pay) they are over-represented in the service sectors which tend to have lower wages. For example, not only is a woman more likely to work in education but she is more likely to be a teacher instead of a director and in the health sector she is more likely to be a nurse than a doctor. Furthermore, sectors such as construction, transport and renewable energy have a low level of women's participation (3%, 12% and 35% of women respectively).<sup>78</sup>

Additionally, **gender equality does not appear to be a particularly strong strategic priority within LAC companies.** Recent data from the International Labor Organisation (ILO) shows that only 21% of companies have a written gender equality policy.<sup>79</sup> Moreover, 63% of the companies declared that gender diversity is not a strategic priority.<sup>80</sup> Cultural expectations and gender roles play a strong role in what is expected of a man and a woman both inside and outside the company.

**Issues such as sexual harassment are also acute in some countries** in LAC. Approximately one-third of examined economies in LAC by the World Bank's 'Women, Business and the Law' do not have laws prohibiting sexual harassment at work.<sup>81</sup> Even where laws are in place, such as Honduras, sexual harassment remains a problem for many women employees, with 90% of women in reporting suffering from harassment.<sup>82</sup>

**Women also face disadvantages as suppliers to large anchor corporates as well as smaller businesses** compared to men who have stronger access to credit, training and networks.

77. World Economic Forum 2017 Global Gender Gap Report.

78. IDB, "La mujer como protagonista de la economía del siglo XXI", 2018.

79. ILO : "La mujer en la gestión empresarial: cobrando impulso en América Latina y el Caribe," 2017.

80. McKinsey, "Women matter: A Latin American perspective: unlocking women's potential to enhance corporate performance", 2015.

81. World Bank, Women Business and the Law Database 2018.

82. <https://www.weforum.org/agenda/2018/03/gender-equality-latin-american-business/>.

## The opportunity: gender diversity improves performance

There is **developing global evidence of a correlation between gender diversity and superior business results and then investor returns**. This is likely to be due to the benefits of diversity on group decision-making, as well as the distinct leadership skills, perspectives and experience that women can bring to the table. Gender diversity at board level is correlated with an increase in net revenue and a higher return on sales and invested capital.<sup>83</sup> McKinsey concluded that an inclusive, diverse and gender-balanced workplace could **increase LAC's GDP by 14% by 2025**, to match the country that shows the fastest rate of improvement, Chile.<sup>84</sup> Additionally, a regional analysis, which covered 345 **companies in Latin America, concluded that the companies with higher representation of women yielded returns on investment and profit margins which were 44% and 47% higher** respectively.<sup>85</sup> Such numbers provide irrefutable evidence that women in LAC represent a largely underutilized resource for economic growth with women's economic empowerment also bringing positive and profound social changes.<sup>86</sup>

**Gender diversity is good business: beyond being just, there is the potential to improve the risk/reward profile of investors' portfolios.** Fostering a diverse workforce can help organizations in multiple ways, from attracting the best employees or reducing staff turnover to enhancing organizational performance, improving access to markets and strengthening reputation. Companies with more diverse workforces are also better equipped to innovate in product development, tapping into new business opportunities, such as the women's market. This is likely why measuring diversity is now becoming a key financial metric that investors and analysts assess when making investment decisions.<sup>87</sup> A lack of gender diversity is translating into a key risk factor for investors. If diversity in an executive team is a proxy for good management across the company, a gender lens could be a useful way to reduce risk. If a business is tackling gender-related management issues, the chances are that it is dealing well with other risks and opportunities. **Additionally, gender diversity is also seen as a gateway to broader racial, ethnic and socio-economic and abilities diversity, which compound the benefits of bringing different perspectives into corporate leadership.**<sup>88</sup>

83. Catalyst, *The Bottom Line: Corporate Performance and Women's Representation on Boards (2004-2008)*, 2011; Marcus Noland, Tyler Moran, Barbara Kotschwar, *Is Gender Diversity Profitable? Evidence from a Global Survey*, Peterson Institute for International Economics, 2016.

84. McKinsey Global Institute, "The power of parity: How advancing women's equality can add US\$12 trillion to global growth", 2015.

85. McKinsey, "Women matter: A Latin American perspective: unlocking women's potential to enhance corporate performance", 2015.

86. IDB Invest, "The power of gender equality in the workplace", 2017.

87. McKinsey, "Delivering through Diversity". January, 2018.

88. The Economist Intelligence Unit of behalf of Barclays Foundation, "Women in Focus", 2014.

Investors have the opportunity to give precedence to companies with greater gender diversity while not investing in companies with risk factors around gender considerations, helping to push social change. Through their products, branding and reputation, companies have a reach and impact to the consumer that also supports social change.

**Some multinational companies operating in Latin America are having a positive impact in the ecosystem by making diversity and inclusion initiatives increasingly relevant and paving the way for good practices.** Many multinationals with presence in LAC have voluntarily started implementing mentorship programs for women, home office and flextime schemes, and maternity and paternity leaves among other progressive policies to attract, retain and promote women. Moreover, multilatinas (regional companies with international presence), such as Mexican multinational building materials company CEMEX, or consumer product giant FEMSA, are modelling strong diversity and inclusion practices.

Outside of their employee base, corporates need to develop an understanding of their value chain and opportunities to invest in businesses that empower women as distributors or suppliers. Companies, particularly large companies, can have a catalytic effect on their ecosystem by including more women and minority led companies in their value chain as well as partnering with the suppliers to launch sexual harassment-free environments and create inclusive value chains particularly for women.

## **PUBLIC MARKETS STRATEGIES**

Globally, the number of explicitly gender lens strategies in publicly traded securities is multiplying. These vehicles span asset classes and structures, including separately managed accounts, Exchange Traded Funds (ETF) and Exchange Traded Notes (ETN), mutual funds and gender equality bonds. The growing number of gender lens investing mutual funds and ETF is democratizing access to impact and gender lens investing. The accessibility of these liquid, relatively low-fee, and low-minimum vehicles could significantly grow the gender lens and impact investing fields.<sup>89</sup>

89. Veris Wealth Partners, Gender Lens Investing, Bending the Arc of Finance for Women and Girls, 2018.



corporate practice internally (as opposed to finance women entrepreneurs, as discussed in the prior section).

## CORPORATE SUSTAINABILITY INDICES INCLUDING GENDER INDICATORS

Sustainability indices provide transparent avenues for investors to learn more about corporate gender equality practices. Sustainability indexes are constructed to act as independent, consistent, and rational benchmarks for private and institutional investors on the evaluation of the performance of their sustainability investments (including funds focused on sustainability companies).

### LAC INDICES INCLUDING GENDER INDICATORS

#### Tradeable

- » **The Dow Jones Sustainability Index for MILA** (Mercado Integrado Latinoamericano) covers companies in Chile, Colombia, Mexico and Peru and in 2017 assessed 63 companies, with an average ranking for sustainability of 63 out of 100 compared to 80 for the world index.
- » **Mexico IPC Sustentable Index**, created by the Mexican stock exchange in 2011 with the involvement of the European ESG rating agency, Eiris.
- » **Brazil ISE Corporate Sustainability Index**, launched in 2005 to create an efficient investment mechanism to group companies with superior performance that manage environmental, social, and governance risks and opportunities.
- » **Chilean Sustainability Index** jointly launched in 2015 by the stock exchange and S&P Dow Jones. Known as the Dow Jones Sustainability Index Chile, it follows a best-in-class approach - cherry-picking the best companies and with no exclusion of sector - with assessment made on the basis of information submitted by listed companies.

#### Non-tradeable

In LAC, the non-tradeable *IndexAmericas* created by the IDB and IDB Invest in partnership with S-Network Global Indexes recognizes the 100 most sustainable publicly traded companies operating in the region. Using data provided by Thomson Reuters and proprietary IDB Group indicators, IndexAmericas uses more than 400 indicators to evaluate companies. This index applies social indicators to evaluate corporate activities that reduce poverty, improve social wellbeing, and advance equitable employment opportunities. IndexAmericas also includes a specific gender

subset with 20 criteria grouped in three pillars: the workplace, the market, and the community. In 2018, the top 10 companies in the gender subset with a presence in LAC include: Diageo, Millicom, Kering, Intel, Carrefour, Peugeot, Praxair, Henkel Ag &Co, Merck, and Repsol.<sup>91</sup>

## GLOBAL INDICES COVERING COMPANIES WITH LAC PRESENCE

### Tradeable

The tradeable **Dow Jones Sustainability Index** includes gender indicators in their wider sustainability indicator framework, and investment specialists like RobecoSAM and rating agencies such as Sustainalytics include a targeted focus on gender as part of wider sustainability analysis to attract and report to investors.

### Non-tradeable

The **Bloomberg's Gender-Equality Index** helps investors make informed decisions specifically about gender equality as a stand-alone issue because this is an area that has been particularly lacking in transparency. These benchmarks are tracking gender outcomes, including equal compensation and the number of women in leadership positions, employee policies, ability to create products and services for women, and community engagement. The Bloomberg Index collects data on internal company statistics, external community support and engagement, company employee policies and gender-conscious product offerings, and it has a significant footprint in LAC. As more investors seek out ESG-related investments, the Bloomberg Gender-Equality Index represents an important opportunity for corporations to attract new capital and widen their investor base. For example, LAC-based companies in the index in 2019 included: Banco Bradesco, Grupo Financiero Banorte, Itaú Unibanco, Pampa Energia, and Grupo Televisa. It also includes banks and corporations with a strong presence in LAC, such as: BBVA, Coca-Cola FEMSA, Banco Santander, Walmart de México y Centroamérica and Telefónica.<sup>92</sup>

91. <https://indexamericas.iadb.org>.

92. All companies in the Bloomberg Gender Equality Index have a market cap of US\$ 1B or greater and have at least one security trading on the US exchange. [https://data.bloomberglp.com/professional/sites/10/May-2018-GEI\\_Index\\_Booklet.pdf](https://data.bloomberglp.com/professional/sites/10/May-2018-GEI_Index_Booklet.pdf).



## Bloomberg Gender-Equality Index Telefonica

**Telefónica** was included in the Bloomberg Gender-Equality Index in 2018 and 2019. According to Bloomberg, Telefónica stands out for its practices in flexible work policies and its women development and awareness programs to senior management. It is also considered a reference for its support of educational and awareness programs to further gender equality. Through its Global Diversity Council and its Policy on Diversity and Inclusion, Telefonica seeks to ensure both gender equality and multiculturalism, and the variety of profiles, ages, capacities and experiences. 37.7% of its staff is made up of women, based on 2018 data, falling to 23.3% at the managerial level.<sup>93</sup>

While these gender equalities indices are a significant step forward, there remain issues with data due to a lack of transparency by companies which limit how far and deep such gender analysis can go. For example, the majority of information related to gender diversity available to investors relates to women in board and leadership levels as well as key gender-related policies. Yet in a region such as LAC, where many vulnerable women are represented in the value chains of companies, investors cannot currently screen for how such women are treated.

The lack of consistent gendered data from companies significantly limits the creation of gender products and portfolios. Major data providers such as Sustainalytics and MSCI continually work to address this issue. In addition, dedicated gender-data providers such as *Equileap* gathers data on over 3,000 companies in 23 developed countries (at present no LAC-headquartered companies are included), with companies ranked on gender equality based on 19 criteria. The availability of gender-related data is constantly evolving as companies become increasingly transparent either by law or voluntarily around gender issues.

## PRIVATE MARKET STRATEGIES

Impact investors in LAC have set up private equity or private debt funds targeting gender diversity amongst their investees. The Women's World Banking Fund already mentioned is one such initiative. The Root Capital Women in Agriculture Initiative described below is another.

<sup>93</sup><https://www.telefonica.com/en/web/responsible-business/our-commitments/diversity>.



## Investing in women as leaders and employees Root Capital Women in Agriculture Initiative

**Market gap:** lending to rural enterprises that are too large for microfinance and considered too small, risky, and remote for commercial banks to serve. Since 1999, Root Capital has dispersed US\$700m of credit to more than 500 businesses in Africa and Latin America. Root Capital recognized that women were working within inherently inequitable systems in terms of decision-making power, access to training, land, farm inputs, credit, and other productive assets.<sup>94</sup>

**Solution:** The Women in Agriculture Initiative is a US\$32m debt fund which considers before lending whether a) women are in positions of leadership; b) women make up at least 30% of employees or members of a cooperative and c) the organization has policies and programs that benefit women, such as maternal health or breast cancer screening.

**Innovation:** it is demonstrating the viability of lending to gender-inclusive agricultural businesses. It considers the role of women not just as leaders or as entrepreneurs at the bottom of the pyramid, but in all aspects of the agricultural organization, including 'hidden influencers', such as field officers, agronomists or middle managers.

## Financial intermediaries, corporates and gender diversity

### DIAGNOSING GENDER EQUALITY IN THE WORKPLACE IN LAC

A first step for businesses is to understand their current workplace situation in terms of gender equality. IDB Invest and the IDB Lab, along with UN Women and Global Compact, and other public and private partners, have created a tool to help companies assess their gender equality performance: the **Women's Empowerment Principles (WEPs) tool** (<https://weps-gapanalysis.org/>). It follows the WEPs to unleash the potential of women in the workplace, marketplace and the community. The assessment is free and confidential and can be done by any company, of any size, from any sector in any country. It has a holistic approach to gender equality in a company: it looks at corporate policies and practices in place and evaluates the extent to which firms provide equal opportunities, adequate work life balance, support to gender equality in the supply chain and respect to women's rights in local communities.

94. Root Capital, 'Applying a Gender Lens to Agriculture', Farmers, Leaders and Hidden Influencers in the Rural Economy.

## WOMEN EMPOWERMENT PRINCIPLES

- 1 » Establish high-level corporate leadership for gender equality
- 2 » Treat all women and men fairly at work – respect and support human rights and nondiscrimination
- 3 » Ensure the health, safety and well-being of all women and men workers
- 4 » Promote education, training and professional development for women
- 5 » Implement enterprise development, supply chain and marketing practices that empower women
- 6 » Promote equality through community initiatives and advocacy
- 7 » Measure and publicly report on progress to achieve gender equality

The tool has far-reaching potential for companies. Since its inception in March 2017 until October 2018, nearly 300 private sector companies have used the tool. Results are provided in a concise and clear format so companies can easily identify areas for improvement and use them as input for gender program design and for structuring performance-based gender incentives. Some companies found that the assessment made them rethink their approach to gender equality in procurement and marketing, while others said it compelled senior management to improve processes. Others highlighted that the tool provided a road map to better integrate gender initiatives into the broader company's strategy.

The United Nations recognizes companies which are championing gender equality according to the WEPs. For example in 2016, Michel Landel, Chief Executive Officer, Sodexo and Janet Awad, Regional Chair of Latin America and Country President, **Sodexo Chile**, were awarded with the 7 Principles WEPs CEO Leadership Award, which recognizes a company for their demonstrated commitment to and implementation of policies that advance and empower women in the workplace, marketplace and community. Sodexo is a food services and facilities management company with significant presence in LAC.

Another way for a company to assess their current status on gender equality and to get recommendations is to aim for a gender equality certification. Certifications are an interesting tool for companies as they reveal the gender gaps (in the talent pipeline, pay gap, policies and practices) but also allow companies to benchmark themselves with other actors of their sector, country or size. A variety of companies have also obtained gender equality certifications and seals as a way to enhance and recognize their gender equality efforts, including:

**UNDP Gender Equality Seal for Public and Private Organizations:** through the Seal Programme, UNDP provides partners with tools, guidance, and specific assessment criteria to ensure successful implementation and certification. The key elements for the Gender Equality Seal certification include: eliminating gender-based pay gaps; increasing women's roles in decision-making; enhancing work-life balance; enhancing women's access to non-traditional jobs; eradicating sexual harassment at work; using inclusive, non-sexist communication. Over 600 companies globally have achieved this seal in LAC. For example, Chile's state-owned copper mining company, Codelco has obtained the seal, increasing its ranks of women employees. Similarly, Costa Rica's Banco Nacional has promoted women into managerial roles and is now a leading regional provider for women entrepreneurs.

**EDGE (Economic Dividend for Gender Equality):** a business certification standard and evaluation methodology designed to create an optimal workplace for women and men. It measures where organizations are in terms of gender balance at all levels of the organization, diagnoses the internal job market, assesses equal pay, the effectiveness of policies and practices to guarantee equitable career flows, as well as an inclusive culture through an employee survey. The following are currently EDGE-certified companies in LAC: Banco de México (Mexico); Capgemini Brasil (Brazil); Comisión Federal de Competencia Económica (Mexico); Compartamos Servicios (Gentera) (Mexico); Holcim (Colombia); Danper (Peru); Firmenich & Cia (Brazil); Firmenich (Mexico); L'Oréal (Brazil); Marriott (Costa Rica); SAP Brasil (Brazil); Zurich (Brazil); and Zurich (Mexico).



### IDB Invest supports gender equality certification processes and adherence to national gender standards

**Organizations that have been through the EDGE certification process are achieving impressive outcomes in terms of gender equality in the workplace.** For this reason, IDB Invest has supported various companies in their EDGE journey.<sup>95</sup> For example, **Danper**, an agribusiness from Peru, became the first company in the country to obtain the EDGE certification. The process involved evaluating the practices, policies and numbers of the workforce and the experience of employees in five areas: equal remuneration for equal work, review of selection procedures for staff and promotions, mentoring and training for leadership development, flexible work and business culture. The certification process particularly helped the company to be more systematic in the implementation of impact gender equality measures.

95. <https://digital-iadb.ipages.co/el-poder-de-la-igualdad-de-genero-en-el-lugar-de-trabajo/>.



## Using results based incentives with a gender lens to move the needle within corporates

IDB Invest motivates its clients to promote gender equality, adopt national gender standards with the support of concessional resources through gender results-based incentives. The incentives are a voluntary scheme where there is an agreement for the Interest rates on loans to be reduced based on achieving gender results. The size of the incentive depends on how ambitious the program is and the availability of concessional resources.

IDB Invest has used the RBIs tool to increase women's participation in specific areas where they are underrepresented. Focus areas include **closing the gender gaps** in the field of Science, Technology, Engineering and Mathematics (STEM), increasing women's participation in the company at all levels and incentivizing the creation of internships for women in that field.

One example is **Óptima Energía a company in Mexico where** IDB Invest structured a loan to update Ensenada's street lighting system using gender results-based incentives.

**The context:** more than 85% of the engineering employees were male (standard across the industry), as was the entire staff in purchasing and logistics.

**The advisory:** IDB Invest helped Óptima Energía lay the foundations for a more diverse work environment. Components of the gender program included: i) get leadership buy-in and signing the WEPs CEO Statement of Support, ii) work to obtain and adopt the national standard of equality in the workplace (Norma Mexicana de Igualdad Laboral y No Discriminación, local UNDP Seal), iii) and create an annual professional internship program aimed at women students with the goal of increasing the pipeline and breaking down stereotypes.

**Óptima Energía** was one of the first companies in its state to get the national-level UNDP gender seal<sup>96</sup>, which requires companies to have infrastructure, policies and practices equally friendly to both men and women. For example, to get the certification, Optima Energía set up a lactation room ensuring that women employees would return to work after giving birth in an environment that met their needs. The internship program targeting women has enrolled 9 women in two years, and has also had an expansive effect in the way the company recruits human capital in the field. With these achievements, IDB Invest has been able to apply a lower interest rate. More importantly, this shows the power that a financial instrument can have to change "business as usual", demonstrating the power of gender equality in business with other actions beyond policy for advancing this issue.

## WOMEN IN CORPORATE VALUE CHAINS

Corporates engage with many other companies as their suppliers, contractors, distributors, retailers, and, in some industries, joint venture business partners. These ecosystems of business relationships provide an unprecedented platform not only for direct value creation for a company and its partners, but also for spreading standards, technologies, expertise and good practices.<sup>97</sup> Focusing on where women are in corporate supply chains, including factories and MSMEs, can produce ideas for closing gender gaps while also revealing ways to improve sourcing. Sometimes, this process also produces ideas for new products. Most importantly, working with the value chains of companies often produces a ripple effect and amplifies the impact on gender equality.

Globally women-owned businesses only obtain 1% in volume of corporate procurement and vendor spend.<sup>98</sup> Corporates have traditionally found it hard to identify and engage with women-led businesses. There are initiatives to attempt to increase the chances of women-led SMEs obtaining multinational clients, such as WEConnect International, a global initiative to identify, educate, register and certify women's business enterprises based outside of the US that are at least 51% owned, as well as managed and controlled by one or more women and connects them to multinational corporate buyers. In LAC, WeConnect International is operating in Brazil, Chile, Colombia, Costa Rica, Jamaica, Mexico and Peru, It expects to begin certifying women business enterprises in Argentina and to expand to six additional countries in Central America in 2019. It works with over 150 certified businesses and over 2,050 self-registered businesses in its virtual database are based in LAC.

In addition, in 2016 the IDB launched ConnectAmericas for Women<sup>99</sup>, a dedicated online B2B platform that connects women-led SMEs to private and public procurement and trade opportunities and helps them strengthen their management and export capabilities. Through this platform, businesswomen can apply to become suppliers of large corporations and governments in the region, connect with one another to explore business opportunities, participate in face-to-face and virtual business matchmaking events, and access online training tools and business support resources, free of charge. To date, over 26,000 have been trained through online courses, seminars, and onsite workshops, and more than 5,000 have participated in the IDB's business forums and applied to over 150 purchasing announcements that have been extended exclusively for women-owned companies and published on the platform by large corporations. In 2018, the IDB and nine

96. <http://www.undp.org/content/undp/en/home/gender-equality/transforming-workplaces-to-advance-gender-equality/gender-equality-seal-for-public-and-private-enterprises.html>.

97. J. Nelson, M. Porth, K. Valikai, H. McGee, "A Path to Empowerment: the role of corporations in ensuring women's economic progress" 2015.

98. Ibid.

99. <https://connectamericas.com/women>.

multinational enterprises jointly launched the “#100kChallenge” initiative, seeking to coach, connect and certify more than 100,000 women entrepreneurs in LAC by 2021. Through the ConnectAmericas for Women platform, the IDB and partner companies are strengthening the digital and business skills of women entrepreneurs using innovative training tools. They are also promoting the participation of women-led businesses in regional and global value chains, facilitating procurement opportunities, and designing training programs for certification of their products, services and processes.

## WOMEN IN FINANCE AND WOMEN INVESTORS

**Increasing the number of women in finance as well as attracting women investors will be key to integrating a gender lens into both the public and private equity markets in LAC.**

### Women investors

Globally, women create, control and influence an enormous amount of wealth, upwards of US\$20 trillion or 27% of the world’s total wealth and this will increase to 32% by 2020. The **coming decades will see significant transfers of wealth from baby boomers to their children, largely Gen Xers and millennials.** Globally over the next 40 years women will inherit about 70% of the wealth transferred from one generation to the next.<sup>100</sup>

As investors, women differ from men in how they perceive wealth. They see wealth providing them with financial security and independence, just as men do. But once these priorities are met, women look to wealth to provide a larger basket of goods, not just for themselves and their families, but also for society at large.<sup>101</sup> A majority of women investors say making a positive impact on society is important.<sup>102</sup> Women are significantly more interested in sustainable investing than men (84% versus 67%) and millennials more so than the general population (86%).<sup>103</sup> This puts sustainable investing as an increasingly important strategy as women and millennials are set to make up the majority of the workforce.

**Gender diversity is a particularly important topic for women investors.** One study found that 77% of women investors globally surveyed wanted to invest in companies with diversity in leadership, significantly higher than how men responded.<sup>104</sup>

This growing global women investor segment is currently underserved by financial intermediaries - a study found that 53% do not have financial advisors and of those with advisors, 67% feel their advisor does not understand them—or is not interested in

100. PAX World Investments, Women & Sustainable Investing, 2014.

101. Center for Talent Innovation, “Harnessing the power of the purse: female investors and global opportunities for growth”, 2014.

102. Ibid.

103. Institute for Sustainable Investing, Sustainable Signals, 2017.

104. Center for Talent Innovation, “Harnessing the power of the purse: female investors and global opportunities for growth”, 2014.

them.<sup>105</sup> Women have specific needs, preferences and behaviours, as banks such as UBS have illustrated through their research.<sup>106</sup>

**The transfer of wealth to millennials and women set to happen in LAC, as in other regions, will potentially drive increasing demand for gender lens investing strategies,** although regional specificity is important in understanding these client segments.

A bank in LAC targeting women with high incomes is **Santander in Mexico** which launched the Select ME program for women with high income in 2017. This was created due to the rapidly increasing number of women that registered for Mundo Select, a product for people with high incomes (a doubling of women registered between 2013-2017. 44% of Mundo Select customers are now women). The new program Select ME responds to women's needs and preferences as identified by the institution. Santander discovered, through focus groups with women customers, that women did not want a differentiated financial product but rather valued customized complementary services.<sup>107</sup> For example, the Select ME program is accompanied by a series of innovative benefits which: a) intend to make easier women's day-to-day; b) provide increased security and protection; and, c) offer experiences, such as networking between clients and trainings. Santander Mexico is currently investigating how it can create more traction with this product, particularly through media and marketing campaigns.

In general **there has been relatively little activity in the region in terms of catalyzing women investors.** One angel investor network for women has been set up in Brazil **MIA- Mulheres Investidoras Anjo**, with the aim of supporting high-impact women-led startups. Initiatives such as LAVCA's recent publication of two lists with the Top and Emerging Women Investing in Latin American Tech are also positive attempts to raise the visibility of women investors in the region. In the US and Europe many more women investor networks have sprung up to educate, train and offer a dedicated space. Initiatives include Next Wave Ventures, a global movement to increase women's participation in angel investing as an asset class and includes both a training element as well as a fund specifically for women investors. In the US there are many women angel networks (such as Astia Angels, 37 Angels, Golden Seeds) as well as other women investor training initiatives (such as Pipeline Angels) that could serve as a model for LAC.

### **Gender diversity in the VC/PE industry**

The lack of VC/PE funding to women-led businesses is partly affected by **the fact that the VC and PE industry in LAC, as in other regions, is male-dominated particularly at senior levels.**In

105. Center for Talent Innoation, "Harnessing the power of the purse: female investors and global opportunities for growth", 2014.

106. UBS, Own Your Worth, 2018.

107. Qualitative interview with Dolores Goicoechea, Dirección Estrategia y Comunicación, Segmentos Particulares, Santander Mexico, December 19th, 2018.

Brazil, 28% of VC funds have one woman partner. Although this is significantly higher than the global average, it is still much lower than where it needs to be.<sup>108</sup> Women-founded and co-founded VC and PE firms with an explicit gender lens have a higher proportion of women partners.<sup>109</sup> In general, women partners are likely to invest at a greater rate in women-led businesses than men partners.<sup>110</sup>

Some **impact investment funds in LAC are becoming more sensitive to and conscious of gender within their own firms**, reflected in looking to create diverse investment committees and teams. As of end of 2018, *Elevar Capital* has two women partners and one male partner. *Ignia Ventures* has an even ratio of men to women in its team and has recently incorporated women into its investment committee. *Cantera Capital* is a new fund (in fundraising phase) based in Israel and Mexico with three women partners and one male partner. IDB Invest is also actively encouraging the adoption of a gender lens among PE firms. It thus, is piloting internal gender equality initiatives within four PE firms (*Capital Indigo, MAS Equity, Bozano* and *Stratus*) to encourage fund managers to apply a gender lens within their own companies through the use of the WEP tool, but also with views of applying the lens to their investment portfolio.

**Globally the PE industry is starting to address a lack of gender awareness** and this will influence the PE sector in LAC. In 2018, the Emerging Markets Private Equity Association (EMPEA) launched its Working Group To Accelerate Gender Parity In The Global Private Capital Industry. This group will leverage the convening power of the organization's 300 plus member firms (16% of which are in LAC) who invest in more than 130 countries worldwide (23 countries in LAC) and represent over US\$5 trillion in assets. According to Preqin's October 2017 Women in Alternative Assets Report, women represent just 18% of all employees at private equity firms and hold less than 10% of all senior positions. This new group from EMPEA will address the overwhelming concern over the low number of women in both leadership roles in portfolio companies and the investment pipeline.

108. Venture Women Brazil, 'A Presença Feminina No Venture Capital No Brasil', 2017.

109. Suzanne Biegel, Sandra M. Hunt, Sherryl Kuhlman, Project Sage, Tracking Venture Capital with a Gender Lens, 2017, Veris Wealth Partners, *Gender Lens Investment Opportunities in Public Markets*, 2017.

110. Venture capital firms with a female partner are more than twice as likely as firms without a female partner to invest in a company with a woman on the management team (34% vs 13%); and they are three times as likely to invest in women CEOs (58% vs. 15%). W DuBow and A. Pruitt, The comprehensive case for investing more VC money in women-led startups, HBR, 2017.



## Committing to gender diversity in the PE industry Capital Indigo

Capital Indigo, an IDB Invest client, is a private equity firm based in Mexico City focused on private debt and growth-equity investments in mid-sized companies. It is one of the few PE funds in the LAC region to take the WEPs tool and has created a gender action plan. Capital Indigo signed the WEPs CEO Statement of Support, showing the commitment from the top and improved their internal policies supporting gender equality, including those related to recruitment and sexual harassment. Additionally, Capital Indigo is currently assessing how to use the WEPs tool with investee companies.

Funds play a key role: not only can they drive change in the industry but most importantly they can have a catalytic effect on the ecosystem by applying a gender lens to their investee companies and thus increasing gender equality whilst showing it is good business.

In recent years, there have also been efforts by senior women in the VC/PE industry to create networks of mentoring and support for other women in finance, by leveraging the lessons learned within their companies to help create a more robust VC/PE ecosystem at the national level. For example, *Venture Women in Brazil and Women in Private Equity and Venture Capital Committee at the Mexican Association of Private Capital* (AMEXCAP).



## Top takeaways: investing in companies supporting gender equality in the workplace

- » The mainstream business community in LAC (excluding some multinationals operating in the region) is starting to act on the opportunity of investing in women in the workplace and increase gender diversity, yet progress is slow.
- » There are some important global and regional **gender equality diagnostic and certification processes** (WEPs, EDGE, UNDP seal, and others) that LAC corporates are using to improve gender diversity, resulting in positive changes
- » The public markets globally are beginning to offer products which include or are specifically focused on gender diversity indicators. In LAC there are few current opportunities for investors for gender lens investing through public markets.

» There is emerging interest which needs to be encouraged and expanded **in serving the women investor segment as well as developing women in finance initiatives in VC/PE**, both of which are important in driving gender lens investing in LAC.

## 2.3 INVESTING IN COMPANIES OFFERING PRODUCTS AND SERVICES WITH A POSITIVE IMPACT ON WOMEN

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### THE CHALLENGE: THE UNMET GLOBAL OPPORTUNITY OF WOMEN'S PURCHASING POWER

**Women are one of the largest unserved markets in business.** Put very simply, most of the structures, technology and products we interact with are designed by a man or with a man in mind. A study surveying more than 12,000 women from 22 countries and all different incomes and walks of life found that women feel undervalued in the marketplace and underserved in marketing efforts.<sup>111</sup> There is a huge gap in product and service offerings that reach women or meet their needs, especially poor women, due to gender biases in product design, market segmentation, and marketing.

Women are frequently seen as a niche market even though they represent 50% of the population and are increasingly driving consumer purchasing decisions either directly or through influence. An estimated 80% of daily consumer decisions are made by women (for products for both men and women). However, a significant number of women around the world have unmet needs for products and services, from basic survival supports (such as water and energy) to more advanced technology products.<sup>112</sup> Globally, closing gender gaps in access to products and services could unlock US\$300 billion in incremental annual global spending by 2025 per Figure 3.<sup>113</sup>

111. Silverstein, Sayre, Butman, "Women want more: How to capture your share of the world's largest, fastest-growing market", 2009.

112. Ibid.

113. BNY Mellon, United Nations, "Return on equality: investment opportunities that help close the global gender gap," 2017.

**FIGURE 3:** Market Potential of Gender Equality in Five Sectors by 2025<sup>114</sup>

| <b>SOCIAL IMPACT</b><br>(impact on gender equality of closing unmet need)  | <b>CONSUMER IMPACT</b><br>(current total unmet need)                                     | <b>MARKET IMPACT</b><br>(potential incremental annual market opportunity in 2025)                                   |
|--|--|---|
| <b>140 million women</b> could have more business or employment opportunities  | <b>Telecommunications:</b> 200 million fewer women that men own mobile phones globally   | <b>US\$20 billion</b> in incremental spending in the mobile industry  |
| <b>52 million unintended pregnancies</b> could be prevented annually   | <b>Contraception:</b> 225 million women have an unmet need for contraception             | <b>US\$5 billion</b> in incremental annual spending in the healthcare industry                                      |
| <b>1,750 hours could be saved</b> annually that the average woman currently spends on unpaid work, including child care  | <b>Child care:</b> 290 million children under the age of three lack access to child care | <b>US\$140 billion</b> in incremental annual spending to increase enrolment of children under the age of 3 to 30%   |
| <b>73 billion hours</b> could be saved annually that women and children spend on water collection                        | <b>Water:</b> 663 million people do not have access to clean water                       | <b>US\$80 billion</b> in incremental annual capital and operating spending to achieve access in line with SDG goals |
| <b>680 hours</b> could be saved annually for each girl who collects wood, dung or other polluting fuel for household use | <b>Energy:</b> 1.2 billion people lack electricity in their households                   | <b>US\$40 billion</b> in annual capital spending to ensure access to elec-  |

### THE OPPORTUNITY: SERVING THE WOMAN CONSUMER IN LAC

Women **are the fastest-growing group of consumers in the world today**. Women’s earning power is growing faster than men’s in emerging economies, where their earned income grew at a rate of 8.1%, compared to 5.8% for men.<sup>115</sup> **LAC is the only region that experienced sustained growth in the labor force participation for women older than 15 years old over the last two decades, which has significant implications for their earning and spending power.**<sup>116</sup>

**Some LAC companies are flourishing based entirely on a deep understanding of the needs of their women customer base.** An example is *Beleza Natural*, a Brazilian salon chain for women with curly hair, co-founded by Leila Velez. With almost 70% of Brazilian women having hair considered frizzy in texture, and conventional hairdressers lacking specialized treatments for this type of hair, Beleza Natural is filling an unmet need. Some 55% of Brazilians identify as black or mixed race and they are the market for Beleza Natural’s super-relaxer products and salons. The business model is built on harnessing the buying power of the group known in Brazilian marketing as Class C – those whose family

114. Ibid.

115. IDB, “Women’s economic empowerment: good for women, good for business and good for development”, 2015.

116. IMF, “Women at work in Latin America and the Caribbean”, IMF Working paper, 2017.

income is between about US\$580 and US\$1,700 a month. Their lives have changed substantially by new jobs, higher minimum wages and a network of social programs, and in turn their new consumption habits have driven much of the economic growth. Beleza Natural is far from being a traditional “chain” of beauty salons. It offers specialized services, treatments and a different environment for customers. 130,000 clients are served monthly in Beleza Natural. It employs over 3370 people, 70% of whom are former clients. 90% of Beleza Natural coworkers have their first job opportunities in the company, providing a positive impact in the community. At the end of 2013 GP Investments bought a 33% stake for US US\$32 million. Beleza Natural has grown 142% since the investment and it is targeting growing to 120 institutes in Brazil with revenues of US\$680 million in 2020.<sup>117</sup>

The **sharing economy**, for example, ride sharing, is another strong market opportunity where women stand to benefit more from new and disruptive services, both as drivers (new flexible job opportunities) and riders (safe, accessible transportation). For example, innovators are creating solutions appropriate for women drivers and women customers, such as taxi firms catering exclusively to women customers (e.g. Fem Taxi in Colombia and Laudrive in Mexico), which promote enhanced safety and increased economic opportunity for women drivers.

117. <https://endeavor.org/entrepreneur/leila-velez/>, <https://www.theglobeandmail.com/report-on-business/careers/careers-leadership/brazilian-hair-care-ceo-leila-velez-breaks-down-barriers/article23568496/>.



### Capturing the women’s market and improving women’s safety Women-only taxi services in LAC

**Fem Taxi** is a taxi service exclusively for women customers designed to reduce harassment and assault. It was set up in November 2011 in Medellin, Colombia and achieved immediate success. Drivers who are both men and women are required to have five years of driving experience and no criminal record. Fem Taxi is denoted by a pink T located on the dashboard of the vehicle and seeks to improve the security situation of women in the city.

**Laudrive** is a new women-only taxi service (both drivers and customers) created in Mexico in 2017 and follows the model of Uber or Cabify. The service works through a mobile application in Mexico City, but has already begun the expansion process to other large Mexican cities, such as Monterrey, Puebla, Querétaro and Guadalajara, where the company plans to settle with 500 ‘laudys’.

**Investments that make access to vital services more equitable in LAC can also provide substantial opportunities**, such as in telecommunications, health and financial inclusion. Mobile phone ownership in low and middle-income countries has skyrocketed in the past several years. In LAC, a woman is still 2% less likely than men to own a mobile phone and 4% less likely to use mobile internet.<sup>118</sup> Closing the mobile gender gap by adding 300 million women subscribers in low and middle-income countries will bring significant social benefits to women and their families as well as US\$13 billion immediate incremental revenue to mobile operators. It will also contribute to empowering women by helping them to feel connected and safe as well as to enable access to life-enhancing opportunities, health information, financial services and employment. Groupe Spéciale Mobile Association (GSMA) currently has a Connected Women initiative to get mobile operators to commit to closing the gender gap. Mobile operators are making formal commitments to increase the proportion of women in their mobile internet and/or mobile money customer base by 2020. In LAC, Tigo Bolivia, Colombia, El Salvador, Honduras and Guatemala have currently signed such a commitment.

**The tremendous opportunity related to women's financial inclusion in LAC is well documented, including access to capital for women but also a range of insurance products, savings and other products for women customers.** Globally, women continue to outpace the overall market when it comes to customer and credit growth, and women's share of non-performing loans is lower than that of men, respectively, for retail. However, women are receiving smaller loans and hold lower savings balances on average, limiting women's wealth.<sup>119</sup> In LAC, loan-to-deposit ratios show that women are strong savers (85% to men's 140%).<sup>120</sup> Recent data illustrates that 49% of women in the region have a bank account (compared to 54% of men), 11% save money (compared to 16% of men) and 10% have successfully accessed credit (compared to 13% of men)<sup>121</sup> In addition to credit and savings, there is compelling evidence that women's insurance needs must be addressed in order to capitalize on their growth in LAC, and this presents an enormous opportunity to insurance companies. Globally, it is estimated that women's individual spending on insurance premiums will grow to three times its current size, to US\$1.4 to US\$1.7 trillion, by 2030.<sup>122</sup> Additionally, insurance wrap-around services are common and have market to grow in some LAC markets. In Colombia, some motor insurers offer services to drive the policyholder home after dark, which is very valuable for safety at night. The insurance provides the policyholder with a clear value beyond accident protection. In LAC, women entrepreneurs' businesses and personal lives are tightly linked. Any shock to a wo-

118. [https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/04/GSMA\\_The\\_Mobile\\_Gender\\_Gap\\_Report\\_2018\\_32pp\\_WEBv7.pdf](https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/04/GSMA_The_Mobile_Gender_Gap_Report_2018_32pp_WEBv7.pdf).

119. <http://www.gbaforwomen.org/download/economics-banking-women-2018-edition/>.

120. Ibid.

121. World Bank, Global Findex, 2014.

122. International Finance Corporation, Accenture and AXA, She for Shield: Insure Women to Better Protect All, 2015.

man entrepreneur's personal life (due to caretaking obligations or health issues) will disrupt her business and reduce its income generating potential. Therefore, they have a great need for income protection insurance and insurance protection against personal shocks.

Additionally, **LAC is fast becoming one of the most fertile grounds for fintech**, in particular in Brazil, Mexico and Colombia. The number of fintech projects in LAC increased by 66% between 2017-2018, from 703 to 1,166.<sup>123</sup> The combination of high rates of financial exclusion and high mobile penetration and technological innovation represent a great opportunity for the fintech sector due to its ability to bring financial services through technology to a part of the population that has not yet been adequately served by traditional financial services. Payments, lending, personal finance and insurance have all been identified as sectors particularly susceptible to disruption. Fintech offers particular opportunities to transform women's financial inclusion. To mitigate collateral or credit history issues, fintech can help by using alternative data to determine creditworthiness and issue loans, an approach that Mexico's *Konfio* is currently implementing. Fintech can also help women who may feel uncomfortable in traditional bank settings, or who face physical barriers. The increasing role of women in fintech is driving more user-centric product design globally. **Approximately 35% of fintech projects in Latin America have a women founder or co-founder which is much higher than the global average at around 7%.**<sup>124</sup> About half of these projects with a woman in the founding team are focused on financial inclusion.<sup>125</sup>

## PRIVATE MARKET STRATEGIES

**Several pioneering international impact investors in LAC are investing in products and services with a positive impact on women, primarily in the financial inclusion, health, education and energy sectors.**

» **ACUMEN FUND** (philanthropic capital invested as patient equity or debt): In LAC, Acumen has committed to giving a strong preference to companies that benefit the lives of women, Afro-Colombians, and Indigenous people. It has also committed to increasing the participation of women in management at investee companies and it believes it is important to invest in women entrepreneurs. Lastly, Acumen has also sponsored a fund that invests in growth-stage agriculture, energy, and education companies to tackle poverty in Latin America. The fund will include gender

123. IDB, IDB Invest, Finnovista, Fintech: América Latina 2018: Crecimiento y consolidación.

124. Ibid.

125. Ibid.

considerations as part of due diligence activities and proactively engage with investee companies to promote gender equity.

- » **CALVERT IMPACT CAPITAL** (private debt): Calvert WIN-WIN focused on supporting the empowerment of women and addressing their needs, supporting 18 organizations in 11 countries throughout Latin America, Africa, and South Asia across sectors such as affordable housing, microfinance, healthcare and the environment. (WIN-WIN is now integrated across Calvert's portfolio and not a separate strategy).
- » **NESST** (patient private debt) invests in social enterprises that generate dignified jobs for people in need, providing tailored financing and one-to-one business support. NESST launched the first patient capital loan fund for "missing middle" social enterprises in Latin America providing investments of 50-500K alongside business support services. The US\$20 million fund will invest in 80 companies in the next 10 years. The Fund will include gender impact metrics and gender-related assessments in its due diligence and investment processes. The aim is to make the tools and best practices of NESST's gender lens investing available to the overall impact investing community.
- » **GLOBAL PARTNERSHIPS** (VC) with an office in Nicaragua, is a US impact-first investor with investment funds dedicated to expanding opportunity for people living in poverty in Sub-Saharan Africa and LAC by providing loans and early-stage investments to social enterprises that deliver market-based products and services to empower people to earn a living and improve their lives. Most investments have focused on women-centered finance with education and health, as well as other areas with a clear impact on women such as solar lights, health clinics, cook stoves etc. To date it has made over US\$300 million of impact investments, a high proportion of which have been in LAC.

There is great potential for innovative partnerships for gender lens investing, where private capital can partner with corporate, national, and donor capital to demonstrate the range of possible innovations in gender lens investing. Flagship funds and projects such as the following could provide the diving board for many more exciting opportunities:

- » A US\$5 million impact investment fund is currently being raised by the ***International Planned Parenthood Federation/Western Hemisphere Region*** to invest in sexual and reproductive healthcare in LAC.

- » **LINKED FOUNDATION** co-investment strategy: the foundation invests technical and financial resources to develop and scale social enterprises that improve the health of communities throughout Latin America. Examples of investments include: Reina Madre, an innovative for profit business model and Mexico's first low cost network of clinics specializing in women's health and the piloting and scaling of Friendship Bridge in Guatemala's "Salud para la Vida" (health for life) program providing health services via mobile clinics and health education to their microfinance clients.



### **Top takeaways: Investing in businesses offering products and services with a positive impact on women**

- » Opportunities to invest in the women's economy in LAC are significant, focused on closing gender gaps in access to products and services (for example in health and financial inclusion) as well as targeting the increasingly important women consumer.
- » There are pioneering examples of LAC companies that are focused on a deep understanding of women's needs and preferences and innovating accordingly.
- » US-based Impact investors active in LAC have been the main players in driving investments towards companies developing products and services with a positive impact on women.
- » Corporates in LAC can embrace more fully the opportunities deriving from the increasingly powerful women's economy.

# 3. MOVING

**FORWARD**



### 3.1. CARVING A DISTINCT PATH FOR GENDER LENS INVESTING IN LAC

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The attractive business and investment case for gender lens investing in LAC is emerging. Yet there remain significant challenges for the movement, notably the lack of gender lens data transparency, unproven gender lens product demand which needs to grow in order to encourage supply and the lack of knowledge on the ‘how’ of gender lens investing. A coordinated and collaborative effort is required to close the gap between the huge potential opportunity that LAC offers for gender lens investing both in terms of economic returns and gender equality impacts and the current on-the-ground activities.

Gender lens investing will not work in LAC if investors do not have access to robust, reliable data to inform their analysis. How gender can be incorporated into financial analysis is an ongoing question for the gender lens investing movement. Since the gender lens investing field is so diverse, the measurement framework for analyzing gender outcomes is complex, partly due to the diversity of goals. There is a set of Impact Reporting and Investment Standard (IRIS)<sup>126</sup> indicators, a methodology focused on measuring social impact, around gender equality that are providing standardized and comparable data for investors. There are also some promising initiatives to share evidence from the field as well as to facilitate standardized measurements, including GIIN’s gender lens investing strategy database which tracks deals and existing investors using a gender lens. GIIN has recently released its Navigating Impact gender-specific resource, which provides an overview of investment themes with information on how proven strategies can deliver impact. This will include evidence maps (based on academic and field research) to support various outcomes and impacts, a starter set of core metrics that indicate performance toward objectives within each strategy and a guide to existing measurement methodologies, frameworks, and systems that can help measure and manage toward the strategy.

It must be emphasized that gender lens investing can pave the way for a more comprehensive and holistic approach to responsible investing, with the intersectionality of gender and other diversity investing recognized. Recognizing women in all their diversity is key as their needs both financial and non-financial are different. Women with disability, women of color, Indigenous women needs can be understood and served both by the financial sector and the real economy. The concept of diversity in a broader way is entering (mostly via the gender lens) to the financial world. Diversity Lens Investing is only a matter of time.

126. IRIS is the catalogue of generally recognized impact indicators in the impact investment industry.

## 3.2. CONCLUSION AND CALL TO ACTION

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For all players in the ecosystem, there will be two golden steps in implementing gender lens investing strategies: **firstly, to analyze and improve gender diversity internally and among their client markets and secondly, to start tracking appropriate gender-disaggregated data.** Once these strategies have been put in place, external opportunities to invest with a gender lens will flow more naturally.

Outlined below is a sampling of illustrative key steps for how each of the players in LAC can put gender lens investing into practice.

### ENTREPRENEURS

Women-led as well as male-led businesses in LAC can embrace gender diversity, embedding it into their start-ups as early as possible, despite scarce early resources. This means considering gender in those early recruiting and hiring decisions to ensure diverse management and creating a women-friendly start-up environment, which recognizes the challenges of an intense start-up culture. It also means creating products and services that women value. Women entrepreneurs in LAC can sign **LAC manifesto** from NXTTP labs and benefit from programs such as WEXchange and WISE (in Colombia, Peru, Argentina and Ecuador).

### ACCELERATORS, INCUBATORS, ENTREPRENEURSHIP NETWORKS

There are some trailblazing gender lens ecosystem players particularly in the social/impact investment space. However, the wider entrepreneurship ecosystem is relatively gender blind and much more could be done by these actors to support gender lens investing in LAC. The start-up ecosystems in the region remain quite young and embryonic, presenting a compelling opportunity to get things right from the start. Diverse views and ideas will be essential to drive the kind of disruptive, creative, critical thinking necessary for innovation in LAC. Since accelerators work in partnership in the region with networks of angel investors they can influence early-stage investors to also incorporate a gender analysis. Key steps for organizations supporting start-ups include:

- » Set an example around gender diversity, increasing women's leadership in the organization, ensuring women's influence in decision-making and measuring gender diversity.
- » Ensure programs are designed to attract, include and

support women-led businesses. This means creating spaces for women to learn about the opportunities available, develop key skills, identify in themselves the potential for leading companies and see in others examples of how it can be done. Players can experiment with different on-line and off-line approaches to better support women-led businesses. There needs to be an intentionality and persistence about increasing the pipeline of women-led businesses, including looking in non-traditional places.

- » Go beyond creating specialized programs for women-led businesses to integrating gender analysis for all entrepreneurs and helping their start-ups see the benefits and implement gender lens strategies themselves.

## FINANCIAL INTERMEDIARIES

In part due to the IDB Group's weB initiative and GBA member banks' presence in LAC, commercial banks are starting to analyze and understand the specific needs of women entrepreneurs and other women clients as well as to increase gender diversity within their own institutions. More financial intermediaries need to follow the examples of the first movers, and more innovation, intentionality and commitment around gender is required. Key steps include:

- » Partner with gender experts working in the region to build expertise in supporting financial inclusion for women and experiment by piloting different solutions to women's needs.
- » Develop internal capacities amongst fund managers, analysts and credit officers to understand gender in distinct settings.
- » Develop more public equities products and vehicles either at a regional or national level. Public equity managers and index analysts can incorporate country-level data about gender patterns into how they evaluate companies.
- » Understand the specific needs of women investors in LAC, including high net worth women, and create appropriate products and services that meet these needs.

## PRIVATE INVESTORS

Private investors have a critical role to play in demanding gender lens strategies from the market. In LAC, there is a perception that such investor demand is low (apart from that of MDBs) which feeds into the low prioritization of gender within VC/PE firms as

well as private wealth intermediaries. Private investors can:

- » Incorporate a gender analysis into any sustainable and responsible investing, screening existing portfolio companies for: the gender balance of employees and leadership teams, the treatment of women in the supply chain, and workplace policies.
- » Screen out companies with poor diversity records; proactively invest in funds or enterprises that promote women in leadership and exhibit best practices in gender sensitive employment policies.
- » Demonstrate commitment to gender lens investing by investing directly into funds with explicit gender mandates when they are set up in the region.

### **VC/PE INDUSTRY**

VC/PE investing offers investors opportunities to support practices within firms as well as in the portfolio companies in which they invest. Investors can integrate a gender lens into diligence, portfolio construction and portfolio management to ensure that gender equality becomes ingrained in the strategy of both the funder and the investee.

- » Invest in women's leadership within firms and increase the balance of women and men in decision-making.
- » Encourage investees to include gender diversity in their organizational leadership, policies and practices, and manage the gender impact of their operations and value chain.
- » Engage with local private equity associations, LAVCA, and EMPEA on their gender equity initiatives to create a more robust national, regional and international conversation about gender in VC/PE.

### **MULTILATERAL DEVELOPMENT BANKS (MDBS)**

MDBs have the potential to play a critical role as facilitators, consolidating and coordinating capital and serving as early-stage investors to demonstrate market viability. There is an opportunity to deepen the commitment, to collaborate and harmonize approaches and to act as market-builders:

- » Assess the gender impact of current portfolios and any future investments, including gender lens investing impact reporting and creating new metrics if necessary.

- » Further build the capacity of key actors in the region to implement gender lens investing strategies.
- » Increase the amount of funding available to encourage and catalyze gender lens investing activities in LAC.
- » Innovate with concessional finance resources to push the envelope where the market has been traditionally weak.
- » Help to develop gender lens investing strategies across a range of asset classes, supporting the pilot and design of new gender lens investing products.

### **COMPANIES AND INSTITUTIONS (CORPORATES, INFRASTRUCTURE COMPANIES, FINANCIAL SECTOR INSTITUTIONS, GOVERNMENTS AND INTERNATIONAL ORGANIZATIONS)**

Businesses and institutions need to be more transparent and accountable about gender diversity – an increasingly important issue for stakeholders. Moreover, through evaluating gender more thoroughly across their value chain they can uncover unexpected insights, risks and opportunities, particularly linked to the growing consumer base of women.

- » Diagnose and measure gender diversity within the organization at all levels and create concrete action plans, targets and processes to improve gender equality across a range of variables. Use available diagnostic tools (e.g. WEP).
- » Identify opportunities for generating employment, creating value, and empowering women across the value chain including financing, design, production.
- » Set ambitious goals to increase the number of women producers, suppliers, entrepreneurs, employees, distributors, retailers and consumers.
- » Be customer centric and identify market opportunities related to women as consumers.

### **FOUNDATIONS**

Foundations have ability to move philanthropic capital towards gender lens investing infrastructure, seed funding or grant layers in investments. They also can make program-related investments from their grant pools or mission-related investments from their

endowments. In addition, they have their power or influence as active shareholders and board members.

- » Consider gender lens investing strategies across different types of capital to achieve foundation's goals (donor and investment).
- » Collaborate with other actors in the ecosystem to help develop innovative gender lens investing products, blending finance from different actors, absorbing project risk to incentivize gender lens investing private sector investors.

## NGOs

NGOs, particularly grassroots women's rights organization, have a vital role to play in the gender-lens investing movement, working actively on the ground to change hearts and minds and to work towards gender equality and address the norms and beliefs that are the root causes of gender inequalities.

- » Consider whether in a shrinking funding landscape there might be opportunities to develop social enterprise models and explore social / impact investment financing options.
- » Work with key actors to share gender expertise and to ensure that gender lens investing stays rooted in the needs and realities of women and men in the region and that it is impacting gender equality.

Although there is still a considerable gap between the potential and what actually exists in the market in terms of investment opportunities, gender lens investing is very likely to grow significantly in LAC due to the large opportunity in strategies across the three different lenses covered in the paper, both for corporates and investors.

Beyond microfinance, the range of products specifically for LAC across asset classes is relatively limited. Only through knowledge transfer, information sharing and cross-collaboration between gender lens investing players in addition to the broader business and investment communities will gender lens investing opportunity increase in LAC.

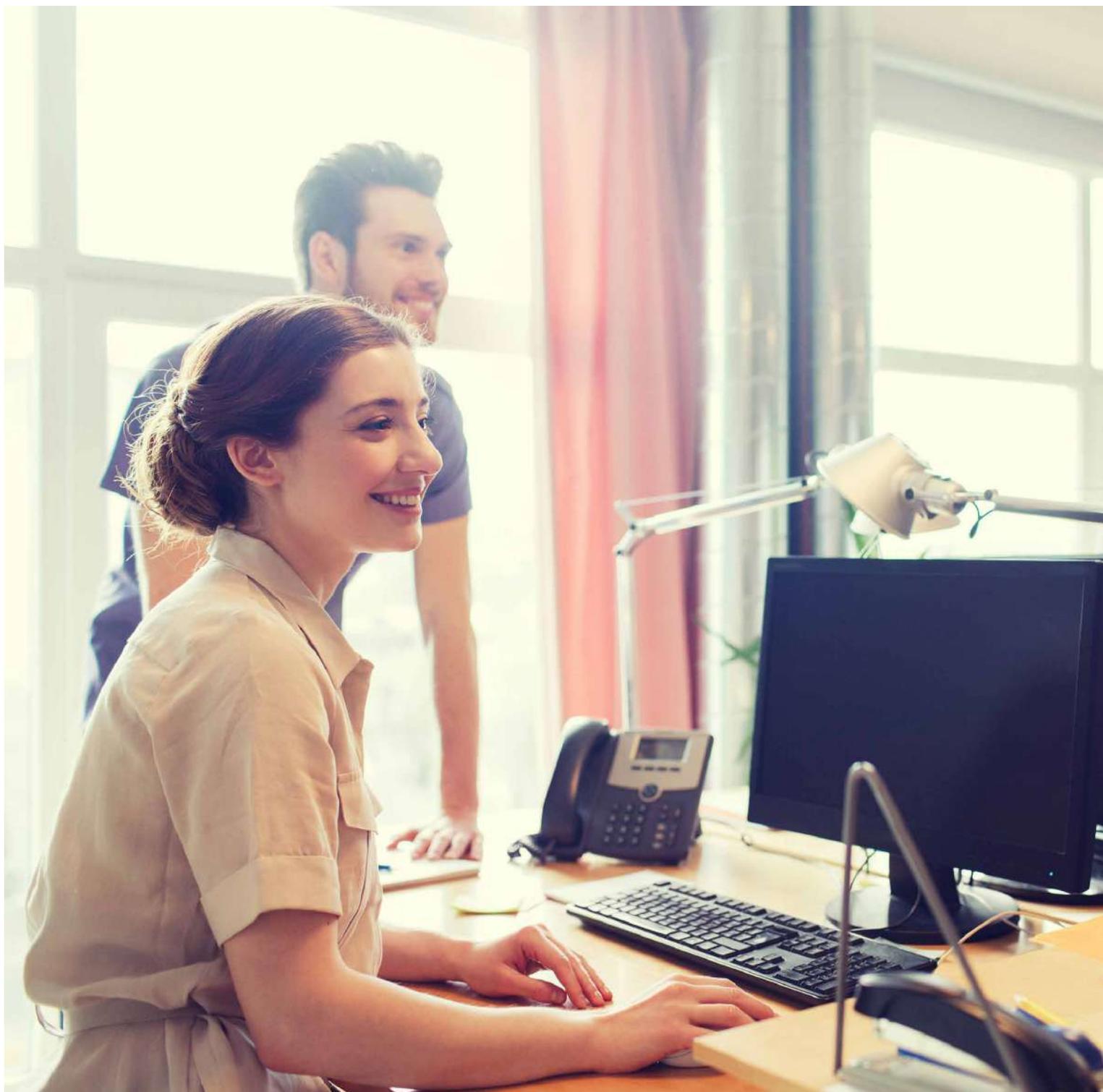
# ANNEX A

## LIST OF INTERVIEWEES



|  |  |  |
|--|--|--|
| <a href="#">Marta Cruz</a>                       | Co-founder   | <b>NXTP Labs</b>                               |
| <a href="#">Nancy Swanson</a>                    | Executive Director   | <b>Linked Foundation</b>                       |
| <a href="#">Anna de la Cruz</a>                  | Social impact consultant                                   | <b>Linked Foundation</b>                       |
| <a href="#">María del Carmen Bernal González</a> | Co-founder   | <b>Dalia Empower</b>                           |
| <a href="#">Alex Jarman</a>                      | Head of Investment Advisory                                | <b>Investing for Good</b>                      |
| <a href="#">Rebecca Fries</a>                    | Managing Director  | <b>Value for Women</b>                         |
| <a href="#">Luis Marquez</a>                     | Gender and private sector                                  | <b>Value for Women</b>                         |
| <a href="#">Kelly Roberts-Robbins</a>            | Impact Manager and Gender                                  | <b>Exclude Capital Advisory<br/>UK Limited</b> |
| <a href="#">Nathalie Molina</a>                  | Founder & CEO  | <b>Brava Investments</b>                       |
| <a href="#">Laura Ortiz Montemayor</a>           | Founder & CEO  | <b>SVX Mexico</b>                              |
| <a href="#">Stevie Smyth Valdez</a>              | Chief Operations Officer                                   | <b>SVX Mexico</b>                              |
| <a href="#">Michelle Arévalo-Carpenter</a>       | Co-founder & CEO   | <b>IMPAQTO</b>                                 |
| <a href="#">Johana Posada</a>                    | Founder & Managing Director                                | <b>Elevar Equity</b>                           |
| <a href="#">Mary Ellen Iskenderian</a>           | President & CEO  | <b>Women's World Banking</b>                   |
| <a href="#">Mayra Buvinic</a>                    | Senior Fellow & Gender specialist                          | <b>United Nations Foundation</b>               |
| <a href="#">Alvaro Rodriguez</a>                 | Partner  |  |
| <a href="#">Christine Kenna</a>                  | Founder & CEO<br>Managing Director for Global Women's      | <b>Ignia Partners</b>                          |
| <a href="#">Ben Powell</a>                       | Issues   | <b>Agora Partnerships</b>                      |
| <a href="#">Kathryn C. Kaufman</a>               | Managing Partner & CIO                                     | <b>OPIC</b>                                    |
| <a href="#">Patricio d'Apice</a>                 | Directora de Estructuración y                              | <b>Mas Equity Partners</b>                     |
| <a href="#">Karina Ojeda</a>                     | Oficial de Cumplimiento                                    | <b>Capital Indigo</b>                          |
| <a href="#">Natalia Wills</a>                    | Alliance Program Officer                                   | <b>Pro Mujer</b>                               |
| <a href="#">Julie Ruvolo</a>                     | Director of Venture Capital                                | <b>LAVCA</b>                                   |
| <a href="#">Natalia Valencia</a>                 | Associate Director of Research<br>& Responsible Investment | <b>LAVCA</b>                                   |
| <a href="#">Carmen Arreola</a>                   | Founder & Managing Partner                                 | <b>Cantera Capital</b>                         |
| <a href="#">Sandra Sainz</a>                     | Founder & Managing Partner                                 | <b>Cantera Capital</b>                         |
| <a href="#">Ale Bar Av</a>                       | Founder & Managing Partner                                 | <b>Cantera Capital</b>                         |
| <a href="#">Alexandra de Haan</a>                | SVP Head of Finance  | <b>Mubadala</b>                                |
| <a href="#">Diana de Castro</a>                  | Chief Alliance Officer                                     | <b>Pro Mujer</b>                               |
| <a href="#">Carmen Correa</a>                    | Director of Alliances                                      | <b>Pro Mujer</b>                               |
| <a href="#">Natalia Wills</a>                    | Alliance Program Officer                                   | <b>Pro Mujer</b>                               |
| <a href="#">Armando Laborde</a>                  | Partner  | <b>New Ventures</b>                            |
| <a href="#">Sarah Sterling</a>                   | Director of Impact   | <b>Pomona Impact</b>                           |
| <a href="#">Dolores Goicoechea</a>               | Dirección Estrategia y Comunicación                        | <b>Santander Mexico</b>                        |

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ABOUT

## **ESADE, IDB Invest and the authors**



## **ESADE'S INSTITUTE FOR SOCIAL INNOVATION**

Aims to help people and organizations in the business and non-profit sectors contribute to a fairer and more sustainable world. For this, the Institute generates and disseminates knowledge, and provides training in: corporate social responsibility and the relationship between stakeholders and responsible leadership; the social impact of cooperation between companies and charities; the strengthening of non-profit organizations, charities, and social enterprises; business sustainability and climate change; and innovation models for social and environmental challenges.

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## **ABOUT IDB Invest**

IDB Invest, the private sector institution of the Inter-American Development Bank (IDB) Group, is a multilateral development bank committed to supporting Latin America and the Caribbean. It finances sustainable enterprises and projects to achieve financial results that maximize economic, social and environmental development for the region. With a current portfolio of US\$11.2 million under management and 330 clients in 23 countries, IDB Invest provides innovative financial solutions and advisory services that meet its clients' demands in a variety of sectors. As of November 2017, IDB Invest is the trade name of the Inter-American Investment Corporation. The opinions expressed in this publication are those of the authors and do not reflect the views of IDB Invest, its Board of Executive Directors, or the clients it represents.

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