

**Catalytic Capital for Women's
Economic Empowerment:
Report of the External Review
of Component 2 of the
Investing in Women Initiative**

Prepared for
Investing in Women, Manila
and
the Department of Foreign Affairs and Trade,
Canberra

Prepared by
Edward T. Jackson and Kaylene Alvarez
E.T. Jackson and Associates Ltd., Ottawa
and Athena Global Alliance, Denver

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Executive Summary

Introduction

This report summarises the findings and recommendations of the external review of Component 2 (C2) on impact investing of the Investing in Women Initiative (IW) funded by Australia's Department of Foreign Affairs and Trade (DFAT). Involving interviews with some 30 key stakeholders and analysis of more than 100 documents, the review was carried out during July and August 2018. The findings of the study were presented for discussion at a stakeholder workshop in London in late October 2018. This report will feed into a wider Phase 2 design process for IW led jointly by the Initiative team and DFAT.

Findings

Overall assessment

Phase 1: Overall, the C2 review team found that Phase 1 of Component 2 has been appropriately designed and successfully implemented to date. In fact, the Component's commitment to investing in women-owned and women-led small and medium-sized enterprises (WSMEs) and gender lens investing (GLI) is deep, innovative and unrivalled internationally. Through its performance-based partnerships with four impact investors, and engagement of leading champions of GLI in market-building, C2 is making good progress towards its intermediate end-of program outcomes. There is, therefore, a strong case for a Phase 2 of C2.

Phase 2: The C2 strategy of partnering with western impact investors and GLI champions has worked well for Phase 1. However, in Phase 2, C2 should: use grant-based incentives to engage investors based in the region to sustain and amplify investment flows into WSMEs and GLI in C2's three programming countries; consolidate and disseminate lessons and successes from Phase 1 in building the business case for WSME and GLI investing for commercially oriented investors, in particular; work closely with investment partners to clarify their options for exiting their investments; and strategically provide operating-expense support for non-investment partners, local and international, to accelerate growth and sustainability in the GLI ecosystem in the region.

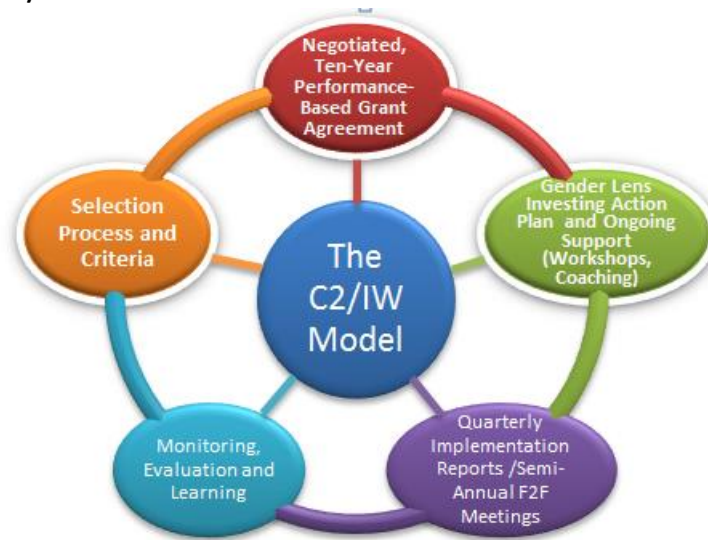
Direct market interventions

The four impact investors engaged in Phase 1 have embarked on their partnerships with C2 by building solid pipelines of prospective investee businesses, making initial investments, and commencing the marketing of nearly \$300-million worth of combined new investment vehicles targeting WSMEs and GLI. These impact investment partners (IIPs) have also demonstrated a detailed understanding of the importance of non-financial services, particularly accelerators and business advisory support, in building their pipelines and executing deals. In addition, through gender lens action plans required by C2, the IIPs are strengthening their own internal capacities in GLI as well as creating significant new investment vehicles to channel capital to WSMEs.

One important achievement of C2 in Phase 2 has been the creation and refinement of a unique model for using grants to incentivise investments in WSMEs, particularly for commercially oriented investment funds. The main elements of this model include the selection process and criteria (led by Ernst and Young); the mix of accountable activities—through the deployment of investment capital and operational support—encoded in performance-based grant agreements with the IIPs

(negotiated by C2 staff); and partners' evolving GLI action plans (supported by the Criterion Institute).

Figure ES-1: The C2/IW model



Source: Investing in Women, 2018

Market building

C2 has made especially strong progress in strengthening the ecosystem for gender lens investing at the global level, particularly through its support of leading GLI champions in the consortium managed by the Criterion Institute, the GLI working group and research activities of the Global Impact Investing Network (GIIN), and the Gender-Smart Investing Summit in London in late 2018. Moreover, by bolstering and clarifying DFAT's understanding, learning and application of GLI in several of its units, C2 and its partners, have also strengthened the Department's credibility and effectiveness as an international player in the field.

In Southeast Asia, progress has been solid, but slower. Convenings organised by Criterion and others have usefully initiated in-country dialogues on GLI, finance and social change among gender experts, investors, donors, NGOs and entrepreneurs. And the GIIN's recent landscape study of impact investing in Southeast Asia has provided useful data on key actors and factors in this emerging field. However, to date C2's links with local institutional and high net-worth investors (including with business coalition leaders involved in IW's Component 1) and fund managers has not been broad or deep, and targeted matching of capital supply with demand has not been an explicit part of market-building activities.

Leveraging

C2 funding has proven to be an effective catalyst for both investment and demonstration effects, showing promising ongoing leverage on multiple fronts. For every dollar contributed by C2 toward initial investments, two of C2's impact-investment partners, combined, have levered commitments for another 2.14 dollars in private-sector financing. It is important to note that almost all (86%) of these leveraged private-sector funds originate in Southeast Asia, mostly from Indonesia and Singapore. While these co-investments are not classified as impact investments per se, in terms of their intentionality or impact measurement, they confirm that C2 has engaged, indirectly, with Asian wealth holders and investors in Phase 1.

In ecosystem building, the leveraging ratio for C2's contribution to the Gender-Smart Investing Summit in London, at 1:5, has been catalytic in attracting several major banks and foundations to become core funders of the event. Several publicly funded development finance institutions have also made important contributions to the Summit.

Monitoring, evaluation and learning

The monitoring, evaluation and learning (MEL) framework for C2 is robust and comprehensive. The three studies—impact investor cases, WSME cases, and market building—are targeted to the appropriate levels and actors in Component 2, framed overall by C2's theory of change. Reporting and learning processes are appropriate as well, as are the qualitative methods for data collection and analysis. However, the framework should also include metrics that C2 impact investors are using, particularly in the areas of GII and social impact at the organization, portfolio and investee levels (including the entrepreneur, employees, suppliers and customers). Publishing credible analysis of the tracking and implications of these indicators is another area in which C2 can become a thought leader internationally.

Recommendations

General recommendations

In light of these and other findings, the C2 review team recommends that IW and DFAT proceed to a Phase 2 of Component 2 with a budget of up to \$30 million over four years. The focus of Phase 2 should be on demonstrating the commercial business case for investing in WSMEs and in engaging with impact investors and partners based in Indonesia, Philippines and Vietnam and in Asia more broadly. Exit options for Phase 2 partners should be made clear. A mid-term review of Phase 2 should be undertaken in the second half of Year 2 of the new phase in order to permit adjustments and forward planning.

Detailed recommendations

In addition, the C2 review team provides a set of more detailed recommendations of priority projects and activities that could be undertaken by C2 during the four years of Phase 2. These recommendations are organised according to six priority roles or categories: Amplify, Catalyze, Lead, Demonstrate, Build and Set an Example. Specific examples of priority projects and activities that could be carried out by Component 2 in Phase 2 are provided for each category.

Figure ES-2: Priority roles for Phase 2 of Component 2

<p>Amplify Achieve thought leadership through the production and dissemination of new knowledge products (e.g. case studies, tip sheets), particularly documenting and reinforcing the business case</p>	<p>Lead Maintain the focused GLI definition of investing in WSMEs while supporting the adaptations of IIPs and diverse perspectives in the broader ecosystem</p> <p>As soon as possible in P2, begin work with funds and investees to address and define options for exit that provide optimal flexibility and clarity, and also answer key questions relating, financial and social returns at exit and the reputation and intention of potential buyers</p>	<p>Demonstrate Build the business case using component successes to date to show early indications of commercial viability and learning</p>
<p>Catalyze Continue to mobilize catalytic capital and resources in 2 ways: direct market interventions, and ecosystem-building needed for sustainable GLI</p>		<p>Build Continue to create an enabling environment by leveraging strengths and experiences of all partners and advisors</p> <p>Set an Example Lead by example in human resource policies and GLI reporting, to demonstrate the IW journey for partners, investees and supporters</p>

Abbreviations and Acronyms

ADB	Asian Development Bank
AVPN	Asian Venture Philanthropy Network
C1	Component 1 (on business coalitions for workplace equity)
C2	Component 2 (on impact investing for GLI)
C4D Partners	Capital for Development Partners
CAL	Catalyst at Large
CI	Criterion Institute
DCED	Donor Committee for Enterprise Development
DFAT	Department of Foreign Affairs and Trade
DFID	Department for International Development (UK)
DFIs	Development finance institutions
EDGE	Economic Dividends for Gender Equality
EMIIF	Emerging Markets Impact Investment Fund
EoPO	End of Program Outcome
FMO	Dutch Development Bank
G-7	Group of Seven Countries
G-8	Group of Eight Countries
G-20	Group of Twenty Countries
GIIN	Global Impact Investing Network
GLI	Gender lens investing
HNW	High net-worth
IFC	International Finance Corporation
IIP	Impact investment partner
IW	Investing in Women
iXc	innovationXchange (DFAT)
MEL	Monitoring, evaluation and learning
NFS	Non-financial services
OECD	Organisation for Economic Co-operation and Development
PBA	Performance-based agreement
PE	Private equity
RFP	Request for proposal
SDG	Sustainable Development Goal
SEAF	Small Enterprise Assistance Funds
SME	Small and medium-sized enterprise
SWOF	SEAF Women's Opportunity Fund
TOC	Theory of change
UNCDF	United Nations Capital Development Fund
VC	Venture capital
WEE	Women's economic empowerment
WE-FI	Women Entrepreneurs Finance Initiative
WEOF	Women Entrepreneurs Opportunity Facility
WSME	Women-owned or women-led small and medium-sized enterprise

Introduction

The purpose of this report is to summarise the findings and recommendations of the external review of Component 2 (C2) on impact investing of the Investing in Women Initiative (IW) funded by Australia's Department of Foreign Affairs and Trade (DFAT). The objective of the assignment was to review the component and make recommendations on the programmatic structure and approach of C2 to achieve the End of Program Outcomes (EoPOs) in Phase 2 of IW. Involving interviews with some 30 key stakeholders and analysis of more than 100 documents, the review was carried out during July and August 2018 (see Annexes A and B). The findings of the study were presented for discussion at a stakeholder workshop in London in late October 2018 (see Annex E). This report will feed into a wider Phase 2 design process for IW led jointly by the Initiative team and DFAT.

1.1 Background

Development interventions involving commercially oriented investment companies and funds work differently than other interventions. Three factors are critical: time, money and tangible success.

Time

How long does it take to deploy investment capital? There is no single, correct answer, but it takes years rather than months. Typically, investment funds are structured as ten-year vehicles for three key reasons: first, pipeline takes time to build, and it is elusive. Second, investing is based on trust. Trust requires relationships, and relationships take time to develop. And three, term sheets take time to negotiate, especially with inexperienced firms in nascent markets.

Figure 1: Life cycle of investment fund



Source: Athena Global Alliance, 2018

C2's impact investment partners (IIPs) are deploying capital at an accelerated pace compared with others, largely due to C2's well-structured performance-based grant agreements, commitment and support. All four of the Phase 1 partners had to either build representation or significantly enhance staffing in the region in order to be able to deploy capital. At some level, all the IIPs also had to integrate gender lens investing (GLI) into their corporate culture,

and into their subsequent investment thesis. Both of those accomplishments will bring about long term change in those organizations and in GLI, while the rest of the investment process is more standard and more familiar to the partners.

In one comparative example, beginning in 2006, the Dell Foundation invested in education enterprises in the United States and India. It took seven years for Dell to make its first 15 investments, valued at US \$17 million. In the following five years, the foundation made another 28 investments totalling US \$58 million. The Dell program recorded five exits in 12 years. In another case, the IFC's Banking on Women project deployed US \$500 million to partner banks around the world over four years, after which the partner banks would in turn lend this new capital to women's businesses. In both instances, the sponsors of the program were required to be patient while the investment process proceeded.

Exit is the only measure of success that matters for commercially oriented investment firms. Until there is a successful exit, it is a challenge showing these investors that the model works. Until there are exits, C2 can and should strategically socialise the numerous successes already realised on the path to a healthy exit, in order to give confidence to the market that this is a viable commercial approach. It is important that defined exit options are discussed now, to reduce uncertainty among partners and in the market, to optimise outcomes. This can include addressing questions such as: How important are the reputation and intention of potential buyers? Do buyers need to be women-owned/led? Do they have to have a strong gender equity workplace environment? Will buyers that are impact-oriented be preferred over profit-oriented buyers?

Although it is impossible to predict the exit options available when the time comes, C2 should develop parameters and frameworks to reduce uncertainty and allow for optimal exits. Furthermore, these exit criteria can be published, thereby promoting continued leadership in the space as well as creating buzz and awareness around exit opportunities. Impact investing exits are a much-discussed topic currently among commercially oriented funds. This is yet another area in which C2 is providing much needed innovation, which comes with a leadership platform.

In parallel, C2 can explore options and internal appetite for the uses of any proceeds from sale. Some options to consider include:

- Proceeds could be used to create technical assistance facilities that continue to provide funding to work around lingering constraints or to push toward under-represented WSMEs;
- Proceeds could be put towards operational support for partners to encourage continued or additional investments in GLI in IW markets;
- Residuals could be rolled over to a fund to manage or re-invest, based on pre-determined criteria established by C2. This includes current partners, EMIIIF, or other vehicles/firms. Any proceeds from profitable exits could thus be reinvested.

Money

If investing in women were just about money, the capital markets would solve the problem. Due to a myriad of cultural norms, perceptions, legislative barriers and many other development constraints, women are under-represented in commercially oriented investment portfolios as owners of businesses. The path from point A (the financing gap) to point B (empowered and funded women-owned SMEs) is not a straight line, but rather a long and winding path. This is why strengthening the ecosystem that creates an enabling environment is crucial for long term success of GLI.

Fundamentally, investment is based on trust, and even more so with gender lens investing. The strengthening of this system requires both broad and deep human infrastructure. By accelerating and growing connections through the human infrastructure of the ecosystem, the money will flow more effectively to where it is needed.

Attention and investment in the ecosystem for GLI in Southeast Asia is a substantial part of the recommendation for Phase 2. In order to catalyze profit seeking money to flow, other barriers, real or imaginary, must be minimised. To efficiently use DFAT funding, these efforts should be coordinated with other IW Components to ensure minimal overlap and maximum effectiveness. Some examples of the specific types of ecosystem stakeholders that Phase 2 should focus time and resources on include:

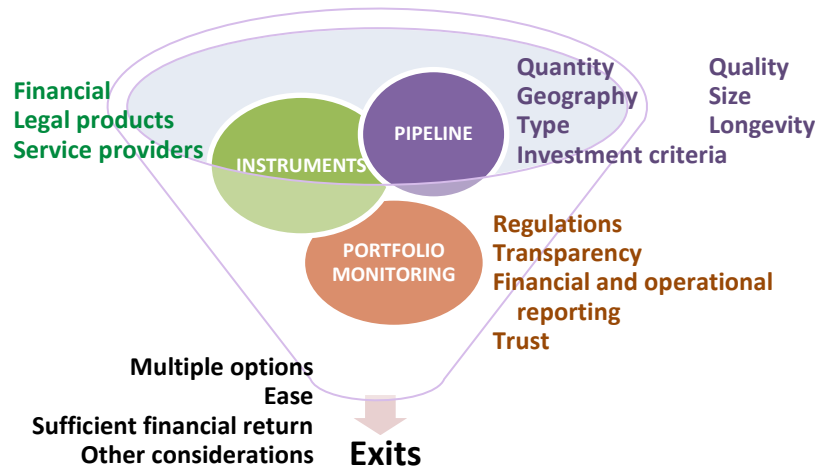
- Strategically building the ecosystem by partnering with or financially supporting organizations that can narrow the gap between money to invest and investable GLI businesses:
 - Incubators/accelerators with GLI cohorts focusing on utilizing capital, not just convening or networking;
 - Networks and community building vis-à-vis mentors, entrepreneurs, angel investors, impact investors, high net-worth (HNW) individuals, family offices with education on GLI, impact investing and how to invest;
 - Raise awareness among local fund managers, investment professionals and other financial intermediaries about GLI, impact investing, returns and pipeline.
- Investing in human capital. Funding operational expenses to build relationships is one of the most catalytic uses of capital, generating a long term impact:
 - For funds or investment partners, this helps provide support for set-up, finding pipeline and completing due diligence;
 - For other service providers, providing strategic financial support for travel, networking, convening and promotion is also highly effective and catalytic for sustainable GLI.

Tangible Success

Although C2 has had no exits to date, there is no shortage of successes of the program. Commercially oriented investors will need to see “proof” that this is a viable market opportunity before committing time, resources, and money. Component 2 has already had success in a number of areas; this will go a long way towards attracting the attention of investors in the region and globally.

Fundamentally, investors are concerned with four areas: pipeline, instruments, portfolio and exits. The IW program can already demonstrate success in two of these areas (pipeline and instruments) and can increasingly show success in portfolio quality monitoring as Phase 1 comes to a close.

Figure 2: What are commercial investors looking for?



Source: Athena Global Alliance, 2018

The recommendations around demonstration and amplification put forward elsewhere in this report go directly towards illustrating that a business case for GLI in C2 countries does, in fact, exist, by providing tangible examples and progress in the things investors care about to bring about large-scale commercially oriented interest in GLI in Indonesia, Philippines and Vietnam. This can be accomplished in ways that complement the investment process, which makes it more familiar to the intended audience:

1. Stimulate investing and show *pipeline* through accelerators/incubators and partnerships:
 - Sponsor GLI cohorts as part of larger competitions/events, potentially with innovationXchange (iXc), Village Capital, Techstars, Kinara, and other locally-sponsored events;
 - Tell the stories of the investees;
 - “Match” first investments for GLI cohorts to stimulate actual investment (not only supporting convening). This can be done by C2, or in collaboration/joint-sponsorship with local organizations or groups like Temasek, AVPN, family offices, corporate social responsibility partners or angel investor groups;
2. Demonstrate the *instruments* and that good *portfolio monitoring* exists:
 - Sponsor and/or support SheEO by publishing data and results of women-owned business pipeline and performances as they launch in Southeast Asia;
 - Conduct research and publish findings to demystify perceptions in the market about financial instruments, regulatory environment, formal business practices and transparency;
 - Amplify success of investees and partners through knowledge production and mobilization and through leadership.

3. Focus on disproving (or proving) the “chatter” that there is insufficient pipeline for investable, profitable women-owned and -led enterprises in Indonesia, Philippines and Vietnam. Change the conversation, one way or another.

1.2 International context

While the International Finance Corporation (IFC) has been working for a decade, globally and regionally, on researching, advising and financing initiatives to address the credit gap faced by WSMEs, as well as gender inequality in the workplace and access to and utilization of finance by women, other actors in the impact investing space have been slower to develop programmatic mechanisms to address gender inequality directly. However, over the past five years in particular, the gender dimension of impact investing has begun to gain traction. Thanks to efforts by a number of donor agencies and development finance institutions (DFIs), impact-first funds, and champions of gender lens investing, an array of initiatives aimed at mobilizing financing and other services for WSMEs have been launched at recent G-20 and G-7 summits (see Annex D). Through C2, Investing in Women has become an influential field-builder in addressing access to capital for WSMEs and GLI not only in Southeast Asia but also at the global level. Most of this recent push for GLI has been driven by western organizations and individuals and rarely by champions based in the Global South, with Africa being a notable exception.

1.3 WSMEs and WEE in IW countries

In Indonesia, Philippines and Vietnam, encouraged by some western donors and DFIs, governments have introduced policies and programs aimed at channelling capital into WSMEs and advancing women's economic empowerment (WEE). But these policies are unevenly enforced, and the programs are usually only partially implemented. In terms of external actors, again the IFC is the leading player working on this issue, in partnership with Goldman Sachs, providing loans and advisory support to incentivise local banks to increase their lending to women's businesses. The IFC's Banking on Women program and its Gender Secretariat have been key instruments in this effort. At the same time, a variety of other local and foreign organizations work on the non-financial services side of the gender-capital gap, strengthening women's enterprises through technical assistance, business training, and accelerators and incubators. Through the Patamar-Kinara experience in Indonesia, Investing in Women's C2 has witnessed, and supported, the effectiveness of combining the power of investment and an accelerator program.

1.4 Impact investment actors in SE Asia and programming countries

Many of the key actors in the impact investing and development finance space in Southeast Asia are external players, including impact funds like SEAF and Patamar, multilateral agencies like IFC and the Asian Development Bank, DFIs (including those of the United States, United Kingdom, Germany, Netherlands), donor agencies (US, UK, Canada, Korea), and commercial banks such as Goldman Sachs and Credit Suisse. A wide range of microfinance institutions, both international and local, is active in the three C2 countries.

Moreover, a recent landscape study of impact investing in South Asia published by the GIIN, and funded by C2, has listed a number of private equity (PE) funds, banks, corporates and foundations that are actively involved in impact investing or considering engaging in the field. C2's own impact investing partners have also identified local players in the field, including foundations and funds. In addition, the Asian Venture Philanthropy Network (AVPN) and the Asian Institute of Management, among others, have sponsored educational events on social impact bonds.¹ Thus, while the impact investing industry remains nascent in the three countries, there are, in fact, proven and diverse organizations, both external and local, which can anchor and spark the growth of this field in Southeast Asia in the years ahead. Identifying these key potential partners, and assessing why they have not yet adopted GLI will be an important task early in Year 1 of Phase 2, similar to the exercise undertaken to find investment partners early in Phase 1.

Indonesia, Vietnam and Philippines are perceived as being relatively "small" and nascent markets on the international stage. Furthermore, a distinct bifurcation of "philanthropic money" and "investment money" still influences regional investment philosophy. Family wealth drives much of the investment, which tends to be very conservative. Local funds and investment managers are equally conservative and need to be shown the commercial viability of investing in anything new, including impact investing, and GLI. However, a newer generation shows an interest in impact investing and taking calculated risks for investment, which bodes well for the future of GLI, and is potentially a target for outreach. In fact, only in the last ten years have we seen genuine impact investing being driven out of Europe, North America and Australia. C2 is ahead of the curve for Southeast Asia.

As much as possible in C2, should engage with local partners to create buy in and long term engagement with stakeholders across the ecosystem to ensure sustainability beyond IW for GLI. This includes, but is not limited to:

- Leveraging the strong network of AVPN in target markets:
 - Family offices—Raising awareness of GLI in family offices; attending conferences, convening events, publishing case studies to stimulate investment into GLI directly and through funds;
 - Animating immersion experiences—providing operational support to give HNW individuals and key stakeholders real experience in meeting with potential investees (Investors' Circle, Village Capital and Illumen Capital have all done this well) to make a personal connection and create buy-in;
- Co-partnering with regional, large institutions that may be able to provide resources (funding and skilled human capital) through corporate social responsibility or other divisions. For example, Kohlberg Kravis Roberts & Co., HSBC, Standard Chartered and UBS are all vocal supporters of socially responsible investing; this provides them a way to highlight innovative work in the region, and to tell their own story. This will

¹ The C2 review team is not recommending that Component 2 promote social or development impact bonds. Rather, work on these instruments indicates an understanding by these organizations of impact investing, which could potentially be mobilised to strengthen the GLI ecosystem in the region

- potentially motivate them to take concrete action on GLI and investing in WSMEs while providing additional funding to tell the larger regional GLI stories that will attract further investment;
- Providing operational expenses for regional expansion of initiatives in non-IW countries in Southeast Asia such as Connecting Founders (Thailand), that provides strategic business support for women SMEs (www.connectingfounders.com).

1.5 Instruments utilised

To date, the investment instruments utilised by impact investors and DFIs in the region have primarily involved direct debt or equity deals, with rather conventional and limited product characteristics. For example, IFC seeks to expand bank lending to WSMEs via direct lending to financial institutions (coupled with advisory services) and to leverage donor money to show the impact (financially and socially) for including women in the formal financial sector and as employees. In Southeast Asia, C2 is unique in its approach to using grants to incentivise financial return-seeking investment funds to increase investment in women's SMEs, without directly subsidizing the return or interest rate. While IW is not making investments directly, C2's IIPs have set up new, targeted funds to attract private and philanthropic capital for onward investment into WSMEs. Component 1 of IW is supporting design work by Ernst and Young on a gender bond to raise capital for EDGE-certified organizations.

Very few organizations are using innovative financial instruments, which are more prevalent in other regions for GLI and in general. The IW initiative should push this issue vis-à-vis partners to adapt or pilot other financial products and instruments that they are already using in other markets. In addition, there are several innovative pilot programs in other regions that may be quite applicable in the C2 countries. C2 could support bringing these innovations to Southeast Asia through current partners, or with new partnerships, as many of the organizations piloting them have a presence in Southeast Asia. Some examples include:

- Five-year structured finance for SMEs (debt or equity) (Gazelle Finance SME Fund in Eurasia backed by FMO, OPIC and others with only one expat employee (CEO)); <http://www.gazellefinance.com/>
- VPOs (Variable Payment Obligations) in Latin America (Enclude/USAID/BAC Bank); https://www.usaid.gov/sites/default/files/documents/15396/2017_PACE_Enclude_final.pdf
- Social Success Note (Yunis/Rockefeller Foundation) using a debt instrument where the investee pays back the principal and the donor pays back interest (based on success goals); <https://assets.rockefellerfoundation.org/app/uploads/20170706180703/Social-Success-Note.pdf>
- Pre-committed syndications for SME investors (P2Binvestor (US), commercially oriented) <https://www.p2bi.com/> or Impact Assets (through a donor advised fund) http://www.impactassets.org/our_products/giving_fund.

1.6 Factors constraining and promoting investment in WSMEs

Although many of these factors are addressed in this report, the main points bear repeating here. Internal constraints make GLI challenging due to cultural norms and perceptions faced by women who own businesses; furthermore, investors in the region are reluctant to bring significant capital due to perceived or real risk. In addition, closing the funding gap is about providing more than money. The ecosystem must be local. IW has already catalyzed much change by addressing many of these challenges through smart programmatic focus. However, bringing about change from within will occur at a pace and in a way appropriate to the local context.

With respect to the external environment, IW has done more than any other donor or investor to stimulate GLI in the region by partnering with four firms to deploy capital directly to women-owned businesses. As noted earlier, this takes time—time to build local trust, time to find pipeline, deploy capital and ensure healthy businesses grow, and time to exit. The four IIPs are on pace to greatly accelerate the conventional 10-15 year investment fund cycle. C2 should continue to push for deployment of all committed capital as quickly as is prudent to do so. In the meantime, C2 should amplify the successes already realised, as well as continue the demonstration that GLI is a viable investment thesis in the region.

In order to directly stimulate investment, and perhaps other IW components, C2 should partner with organizations similarly aligned, to build infrastructure for long term sustainability, including:

- Seeding SheEO cohorts in Indonesia, Philippines and Vietnam;
- Expanding the relationship with Capria to conduct additional training (or include training) for fund managers on GLI, including different types of fund managers through Capria Network and Capria Collaboration;
- Support Next Wave Impact (VC fund of 99 women investing in other GLI start-ups) in two ways: women angel investor trainings (grants to non-profits) and/or operational support for a Southeast Asia fund (www.nextwaveimpact.com). This helps to catalyze local women who can invest in other women, as well as build buzz in the region that stays in the region; and
- Pilot with Pipeline Equity (www.pipelineequity.com) to develop tools specific to Southeast Asia, current partners, gender bond companies or other possibilities where IW wants to “score” companies on gender equity.

1.7 Evidence and lessons from experience

Through insightful commissioned research and practical program implementation, C2 and IW can help to “bust” myths around women entrepreneurs, such as women entrepreneurs being overly risk-averse, less diligent in repaying their loans or less able to generate profit compared with men. Thanks to its Phase 1 work, IW has perhaps more evidence and lessons than any other organization in the region. In other sections of this report there are examples of how to amplify and demonstrate these successes. In addition, there have been specific types of research that have worked elsewhere to make the business case for GLI

that could be useful for IW to consider, including: sponsoring targeted research to help dispel specific myths and better understanding of the credit gap (and surrounding issues) for women SMEs. Examples include:

- IFC published a specific report on Vietnam on Women SMEs relating to specific barriers for bank financing that is particularly useful in dispelling myths about what WSMEs want from a banking relationship;
https://www.ifc.org/wps/wcm/connect/45c8b501-6239-45b2-bf4c-dae2b6d7647b/Market-study-on-Women-owned-enterprises-in-Vietnam_Eng_v1.pdf?MOD=AJPERES
- Build upon the Asian Development Bank's 2014 publication of women SMEs in the region of general constraints and challenges with something that is specific and actionable; <https://www.adb.org/sites/default/files/institutional-document/34125/gender-tool-kit-mse-finance-development.pdf>
- Partner with PitchBook (or other similar firm that is well respected in commercial private equity/venture capital (VC)) to track key indicators for VC-backed women SME as well as successes. (<https://pitchbook.com/news/articles/mapping-investment-in-female-founded-companies-across-10-key-us-metros-interactive-graphic>)

At the same time, it has been shown consistently and globally that successfully supporting WSMEs requires more than increased access to finance. Lack of market information, underdeveloped supplier networks, insufficient management skills, and other “human infrastructure” barriers must be addressed directly through accelerators and incubators, mentoring and coaching, and exposure to relevant role models. The over-arching lesson is that financing programs must be accompanied by non-financial services (NFS) in order for WSMEs to achieve maximum success.

A second over-arching lesson is that programs using donor or blended capital must demonstrate the business case in order to attract commercially oriented firms. The private sector responds well to proof, rather than anecdotes—or the use of both—so programs that proactively take on thought-leadership roles to build the business case, prove (or disprove) that sufficient investable pipeline is available, and change the conversation in the market, tend to gain more traction and achieve longer lasting impact.

2 Progress toward Intermediate and End of Program Outcomes

2.1 Program logic/theory of change for Component 2 and IW as a whole
Annex C summarises the main outcome-level features of the various theories of change (TOCs) utilised by Component 2 since Investing in Women was first designed in 2015. Overall, these TOCs have been professionally, diligently and prudently applied, and have successfully enabled the Initiative and the Component to focus, manage, learn and be accountable. The most recent revision of the TOC, produced in early August 2018, now frames C2's work for the final year of Phase 1 and can guide the component's transition into Phase 2. The sequencing

and pacing of its proposed results over two phases are more realistic and achievable. The newly explicated Phase 2 EoPOs are also appropriate and feasible.²

The reference to *Asian* sources of investment capital is especially important and necessary. In Phase 2, for the direct market interventions sub-component, the grant-based incentives model should be used with three to four local Asian impact investment partners, while C2 also continues support of its Phase 1 IIPs. The new mid-phase outcomes for Phase 2 are also accurate and appropriate, and should also include metrics involving organizational change among impact investment partners as well as the gendered and social benefits (or costs) of increased income and employment to WSME employees, customers and suppliers; the personal gains of entrepreneurs constitute only one category of gender/social impact. IW's MEL team can work with the C2 team to make these adjustments. There is no need for a fundamental change to the latest version of the theory of change for C2.

2.2 Success and limits of C2 direct market interventions

The IW commitment to gender lens investing, as expressed through Component 2, is unrivalled by other interventions anywhere in the world. Overall, in Phase 1, C2 has been highly successful in selecting four strong impact investment partners, developing and actively utilizing innovative performance-based agreements (PBAs), building awareness of GLI and enabling internal alignment in IIPs around GLI. Although the four partners have moved at an accelerated pace compared with other similar initiatives, investing nonetheless takes time. The partners have demonstrated early successes with their initial direct investments in local firms and in their creation of new, ambitious gender-focused investment funds. In Phase 2, C2 should support the current IIPs to continue to deploy their capital in short-listed investee candidates, select and engage with Asian partners, monitor portfolio performance, celebrate portfolio success, and help define and enable investment exit strategies.

Strong results have been achieved by the direct market intervention's sub-component of C2. One important achievement of Phase 1 is the creation of the *IW/C2 model* of using grants to incentivise investment in WSMEs. Three critical elements of this model stand out as unique and directly supporting the success of C2: the *selection process and criteria* (led by Ernst and Young); the mix of accountable activities—through the deployment of investment capital and use of operational support—in the *performance-based grant agreements* with the partners (negotiated by C2 staff); and partners' evolving *GLI action plans* (supported by the Criterion Institute (CI)). Regular reporting and monitoring, evaluation and learning (MEL) activities complete this model. The IW/C2 model is potentially replicable by other actors in the region

² At the goal level of IW as a whole, at the completion of Phase 1, it may be worth re-examining the core metrics of women's economic empowerment. The C2 model of incentivizing investment in WSMEs and its market-building activities have underscored the broader scope of empowerment benefits that can accrue beyond the individual woman entrepreneur. In fact, women's economic empowerment gains can be realised through the investment process by employees, suppliers and customers of investee companies. Moreover, such empowerment gains can be made at the level of investment partner-organizations, which should be reporting on such metrics as, for example, numbers of women board members and investment managers.

and, indeed, around the world. IW should use its MEL and research activities to generate and disseminate accessible knowledge products on the model.

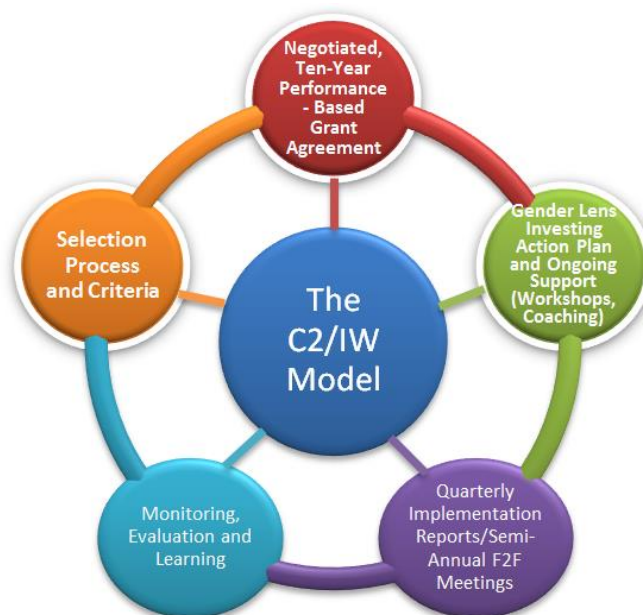
Table 1 lists the criteria used to identify, screen and select the impact investment partners for Phase 1. Candidate organizations were scored on these criteria and due diligence undertaken on a shorter list. Selected organizations were then invited to submit detailed proposals on how they would use investment capital and operating expenses support from C2 to increase investment in WSMEs in the three C2 countries while strengthening them on GLI capacity. Note that with regard to criterion 2b, not all of the IIPs deploy debt financing; several also use equity.

Table 1: Selection criteria for C2 impact investment partners

Criterion	Description
1	Target recipients are WSMEs
2a	Application of grant towards catalytic purposes
2b	Deploying debt financing to WSMEs
2c	Likelihood of securing third party commitments
2d	Target early-stage WSMEs
2e	Provision of technical and/or ancillary services
3	Impact measurement
4	Ability to demonstrate additionality
5a	Logical and viable commercial structure
5b	Capability and capacity to deploy funds
5c	Complementary with existing partners
5d	Identifiable pipeline
6	Existing gender lens practices

Source: Ernst and Young, 2017

Figure 3: The C2/IW model



Source: Investing in Women, 2018

The second area of achievement in the market interventions sub-component involves the innovations and results of Small Enterprise Assistance Funds (SEAF) and Patamar, in particular, in building their pipelines in different ways and selecting and negotiating commercially sound, impactful deals with WSMEs—and also in demonstrating significant private-sector leverage in some cases. Moreover, in developing new financing vehicles (SWOF II [SEAF Women’s Opportunity Fund]) and employing non-financial supports (the Kinara accelerator), the partners are expanding the GLI sector while pursuing their PBA-based objectives with IW. Overall, the IIPs have commenced the marketing of nearly \$300 million worth of combined new investment vehicles targeting WSMEs and GLI.

Finally, each of these partners—and now the Round 2 partners, as well—has begun their unique journey in integrating a gender lens into their investment thesis and process, and into their overall organizational governance and strategy. The main elements of partner action plans are summarised in Table 2. Through its support of these change processes, C2 IIPs are tangibly demonstrating how impact investors in the region and elsewhere can intentionally retool policies, and strengthen investment capacities, to advance women’s economic empowerment. These action plans are thus an important part of Component 2’s effort to ensure sustainable change long after the IW program concludes.

Table 2: Elements of gender lens investing action plans

Investment thesis
Investment process
Practices to support action plan implementation <ul style="list-style-type: none">• Coaching and additional data• Key performance indicators and incentives for investment team• Human resource policies (e.g. parental/care leave, sexual harassment, etc.)• Structures (e.g. internal Human Resources committee)• Organizational buy-in• Focal point• Diversity (gender, race) of regional and global investment committees• Post-investment engagement

Source: Investing in Women, 2017

In terms of the pacing of the partners in placing their capital in investee firms as well as in pipeline development and fundraising, SEAF and Patamar are progressing within the norms of, or better than, the performance of comparable funds and programs. While the partners should be pushed to hit their deadline targets for placing their investment capital in local companies, the screening and due diligence processes are proving to be more labour-intensive than expected.

2.3 Success and limits of C2 market building role

Criterion Institute

The Criterion Institute (CI) is an internationally recognised thought- and practice-leader in gender lens investing and mobilizing finance for social change. In Phase 1, C2 has retained CI for two years to carry out multiple tasks, including: providing advisory support to IW and its

partners, conducting research and tools development, facilitating GLI workshops, managing a gender lens advisory group, engaging investors and supporting C2 MEL activities. To implement this set of activities, CI coordinates and mobilises a consortium of leading GLI champions based in the west, including Catalyst at Large (CAL)(connecting IIPs with potential co-investors), WomenStats Project (on data collection and analysis), Value for Women (on gender analysis), AVPN (on engaged philanthropy in Asia) and SheEO (on activating women to raise rotating funds for women-led ventures). For its part, CI's work with C2 has enabled the Institute to refresh its non-IW regional contacts and build new links with development organizations in the region.

Through its training and coaching in GLI of SEAF, Patamar and Root Capital, CI has exerted a positive, outsized impact on the investment practices and organizational policies of the IIPs of C2, supporting their creation and refinement of GLI action plans and tools and metrics to deepen and strengthen their work, pushing them to the leading edge of practice in this field. CAL's introductions have resulted in new co-investors for at least one IIP. In its field-building efforts, CI has built trust with, and demonstrated the value of engaging, gender experts from development and civil society in C2's programming countries, as well as investors and women entrepreneurs. Several units with DFAT have expressed appreciation for the Institute's guidance and insights. Looking ahead, however, the advisory consortium should move from convening to action. CI should consider expanding its consortium to include more Asian champions and engaging substantively with a wider range of local investors. Field-building efforts in Phase 2 should emphasise matching supply of capital with demand from WSMEs, and engaging more Asian investors in GLI capacity building, while facilitating the building of a diverse GLI ecosystem in Southeast Asia.

The GIIN GLI Initiative

C2 has also provided financial support to the Global Impact Investing Network (GIIN) to implement its GLI Initiative. This effort involves, under the guidance of a small advisory committee of experts (on which C2 is represented), a GLI working group for GIIN members to share strategies and learning, quarterly webinars led by practitioners, and development of a database on member GLI strategies, tools and metrics. To date, these activities have attracted the engagement of nearly 30 GIIN members (with 12 members contributing to the database as of mid-2018), but participation is likely to grow with a face-to-face working group meeting planned for late 2018. Some GIIN investor organizations (e.g. Sarona/MEDA) are recognised leaders in GLI practice, as are C2's partners, SEAF, Patamar and Root Capital, as well as the Criterion Institute, Catalyst at Large and the IFC. Given this body of expertise, it is reasonable to expect the GIIN to accelerate the pace of its working group activities in 2018-2019.

C2's support of the GIIN's GLI Initiative positions the Component strategically within the most important western knowledge centre on impact investing. In one early leveraging outcome, following C2's lead contribution to this work, a major bank has provided a US \$50,000 grant toward GIIN's work on GLI.

C2 has also funded the GIIN to provide research services. The first major output in this activity stream, published in Quarter 2 of 2018, was *The Landscape for Impact Investing in Southeast*

Asia, which analyzed a data set of impact investments in 11 countries in the region between 2007 and 2017, with deeper dives in Indonesia, Philippines and Vietnam. The report gained solid media coverage on finance and impact investing platforms. Among other top-line findings, the study points to the dominance of DFIs in the impact investing space in the region. Moreover, none of the DFIs were found to be intentionally investing with a gender lens. Notably, the GIIN study team interviewed a number of Asian venture and impact funds, foundations and networks which could be potential collaborators with C2 in Phase 2.

Gender-Smart Investing Summit

C2 has played a key role as a prime funder and is on the planning committee for the Gender-Smart Investing Summit to be held in London in late 2018. C2 will host a side event and has encouraged the participation of a strong contingent of IW stakeholders (including DFAT and IW staff, IIPs, ecosystem builders and program reviewers, among others). C2's financial contribution to the Summit of AUD \$100,000 helped to crowd in grants and other contributions by other publicly-funded and private organizations.³

As the GIIN research confirmed, over 80% of impact investments in Southeast Asia have originated in North America and Europe. Since C2 sought to influence the global impact investment industry, it was an astute decision to start with established western funds. In general, C2's support of market-building activities has been strategic and effective in mobilizing some of the most influential and skilled allies possible, based in the west, to support its agenda of investing in WSMEs and promoting GLI. However, there have been two main limits of this work. First, there has not been enough time for the sub-component's work to achieve maximum impact. Second, this market-building work has not engaged deeply enough with local and other Asian actors. Phase 2 would provide an opportunity to address both of these areas and optimise the results of this sub-component.

2.4 Appropriateness of GLI definition

The C2 and IW leadership's fidelity to a focused definition for Component 2 on investing in women-owned and -led SMEs is the importance of economic empowerment for women cannot be underestimated. However, from an investment-thesis perspective for a commercial financial institution, by the time filters for WSMEs, of the appropriate size and scale, with exit options, in Vietnam, Indonesia and Philippines are applied, the market size is substantially narrowed. It is precisely for this reason that the IW program definition of GLI should remain focused on "women-owned/women-led" businesses—to prove/disprove, for purposes of business case, that WSMEs are a viable commercial investment segment, or to help define under what circumstances that holds true.

At the same time, acknowledging and supporting the larger GLI ecosystem with broader definitions is paramount to illustrate that GLI encompasses a variety of approaches, and

³ With UBS as the lead sponsor of the event, other notable supporters include BNY Mellon, Ernst and Young, Morgan Stanley, Trillium Asset Management and Unilever; Tara Health Foundation, Linked Foundation, Open Society Foundations, and Sasakawa Peace Foundation; CDC, FMO, IFC, the Inter-American Development Bank and The Netherlands government; plus the Pax and ImpactAssets

that each organization can find an appropriate definition. At the level of the ecosystem, C2 has supported convening and training activities through the Criterion Institute and the GIIN that have embraced a diversity of views about GLI and have maintained a “big tent” for multiple definitions. In the view of the C2 review team, overall, the different definitions at these three levels—Component, IIPs and ecosystem—are all valid and should be maintained in Phase 2.

Each of the four partners is utilizing a slightly different variation on GLI. It is important that C2 and the partners share the story of why the modifications (geography, increase deal size, support broader women's empowerment, strengthen supply chains) were devised and how they support the investment thesis and business case for each partner. SEAF and Patamar, in particular, have built their GLI capacity and action plans with C2 support. In doing so, they have, organically, broadened their own operational definitions, anticipating both impact-investor interests and pipeline requirements. In the case of Root Capital and Capital for Development (C4D) Partners, these Round 2 partners have brought into C2 their own broader definitions developed through previous work elsewhere. The application of these definitions in practice is now part of the demonstration of the business case on which the IIPs have embarked.

Responding to challenges and evidence presented by partners to gain the most traction for their business case, including “women's economic empowerment” versus “women-owned” is a highlight of the C2 approach and a testament to the commitment to GLI in the region. One of the strengths of C2 in Phase 1 has been supporting each of the four partners on this journey and responding to requests from partners to develop pragmatic definitions for different players, in order to support the business case. This approach and the results should be a key focus to amplify the success of C2.

2.5 Organizational change within partner funds and organizations

An important achievement of Phase 1 is that C2's support has resulted in various types and levels of organizational change within the impact investment partners. Each partner has its own approach to and tolerance for changing its organizational culture as it integrates GLI. C2 should celebrate the fact that these partners have been willing to come on this journey—and should tell their stories—regardless of how far they have come or the challenges they will encounter along the way. In fact, the organizational changes already underway among the IIPs are impressive. Highlights include:

- Rooted in a male-dominated culture, SEAF has engaged diligently with GLI, raising internal awareness and generating an investment thesis that it hopes to take global. The SEAF team has also developed a gender equality scorecard to be used in SWOF I and II and SEAF-wide.
- As it has embraced GLI, Patamar has sought to change its corporate ethos and embed GLI across its own ecosystem of investees, accelerator and investment methods, in the process also creating a new gender assessment tool.

- For its part, Root Capital, already a leader in GLI, has viewed its work with C2 as an opportunity to turn the mirror on themselves and reassess their internal biases in investment practices and marketing. With strong selection screens and ongoing data collection on the gender performance of its investee firms, Root is taking steps to deepen its staff capacity in gender and financial literacy.
- Finally, C4D Partners has embraced GLI as part of its operating model; in fact, its agreement with C2 contributed to catalyzing the spin-off of the new partner of C4D Partners from ICCO and C4D Partners' investment thesis.

For all four IIPs, these and other changes can be directly attributed to the C2/IW incentivizing grant model, and particularly the efforts of C2 staff and the Criterion Institute in, respectively, implementing the PBAs and developing IIP GLI action plans.

2.6 Leveraging through early investments

C2 funding has proven to be an effective catalyst for investment and demonstration effects, showing promising ongoing leverage on multiple fronts. For every dollar contributed by C2 toward initial investments, two of C2's impact investment partners, combined, have levered commitments for another 2.14 dollars in private-sector financing. Patamar's performance in this area has been very strong.

Furthermore, it is important to note that almost all (86% or about AUD 5.15 million) of these leveraged private-sector funds originate in Southeast Asia, mostly Indonesia and Singapore. While these co-investments are not classified as impact investments per se in terms of their intentionality or impact measurement, they underscore the fact that C2 engages, indirectly, with Asian wealth holders and investors in Phase 1.

In ecosystem building, the leveraging ratio for C2's contribution to the Gender-Smart Investing Summit in London, at 1:5, has been catalytic in attracting several major banks and foundations to become core funders of the event. Several publicly funded development finance institutions have also made substantial contributions to the Summit.

2.7 Contributions of operational support to investors

One of the strengths of the C2 model in Phase 1 is its provision, through the PBAs, of grant funds to support the operating expenses of IIPs. These contributions to fund operating expenses accelerate success. Effective investment is built on trust among investors and investees. Operational support from C2 grants optimises investors' local presence (through the hiring of locally based staff or more frequent site visits), increases physical face time, and more substantive relationship-building, all helping to accelerate the pace of gender lens investing on the ground. Operational support enables investors to find and build their pipelines of investee candidates, conduct more thorough due diligence, and negotiate appropriate term sheets as well as more effectively mobilise capital from limited partners and co-investors.

Investing in human capital will be critical in Phase 2. Funding operating expenses to build relationships is one of the most catalytic uses of capital. As witnessed in Phase 1, this type of

support helps funds and partners with set-up, finding pipeline, and completing due diligence. Similarly, Phase 2 should support ecosystem stakeholders and catalysts, especially local ones. For other players, like service providers, providing strategic financial support for travel, networking, convening and promotion is highly effective and catalytic for sustainable GLI.

2.8 Appropriateness of grants versus other blended finance mechanisms

IW is not the first development intervention to use grant funds to incentivise investment in SMEs. However, it is the first in the GLI space to use grants to offset operating expenses for commercially oriented firms, rather than offering a subsidy for returns or interest. C2's ten-year PBAs with Phase 1 IIPs cover operational expenses as well as investment capital and incentives. These incentives do not distort the market. This approach and model can be used with other stakeholders in the ecosystem in Southeast Asia, including Asian and regional investors, or non-financial service providers, to build local buy-in and demonstrate commercial investment viability. Fundamental to the success of this approach is that C2 is not providing grant-funding to carry out tasks that the organizations would not normally undertake. Instead, C2 is providing a subsidy to accelerate the pace at which an organization can expand and participate in the ecosystem, and to ensure quality and focus—all activities the organizations have shown proficiency in other geographies or programs.

Other actors, like the IFC-Goldman Sachs collaboration, offer access to debt capital and equity with potentially offsetting financial incentives and advisory support, to spur local banks to develop programs for WSMEs. Still others, like Global Affairs Canada with angel investors in Indonesia, provide more traditional, short-term grants. The C2/IW grant-based model complements but does not duplicate these and other strategies.

2.9 Effectiveness of GLI ecosystem building and knowledge building

Ecosystem building

Overall, in Phase 1, C2 has made especially strong progress in strengthening the ecosystem for gender lens investing at the global level, particularly through its support of the champions in the advisory consortium (spearheaded by Criterion); the GLI working group and research activities of the GIIN, and now the Gender-Smart Investing Summit. By bolstering and clarifying DFAT's understanding and application of GLI strategies in several of its units, C2 and CI have also strengthened the Department's credibility and effectiveness as an international player in the field. In Southeast Asia, progress has been solid but slower. Convenings organised by CI and others have, usefully, initiated in-country dialogues on GLI, finance and social change among gender experts, investors, donors, NGOs and entrepreneurs. But, to date, links with local institutional and HNWI investors (including with business coalition leaders involved in IW's Component 1) and fund managers have not been broad or deep, and targeted matching of capital supply with demand has not been an explicit part of market-building activities. These issues can and should be addressed in robust fashion in Phase 2.

At the same time, it is important to emphasise that a central part of ecosystem building and knowledge mobilization in the final year of Phase 1 and throughout Phase 2 revolves around the journeys of the impact investment partners in adapting and aligning their own versions of

GLI to market conditions and opportunities. Their various strategies, policies and tools all constitute elements of the business case that each IIP is building for investing in WSMEs. Telling their stories will go a long way in the market to raising awareness and providing role models for others to follow. Although much of Phase 1 has been concerned with these journeys, the long term change they will manifest is only now coming to light. In Phase 2, C2 should amplify these stories, and continue to raise awareness of GLI in a manner that encourages new investors to embark on their own GLI journey, adapt and shape their company culture and ethos, and optimise the commercial viability of their investment portfolios.

Research and knowledge mobilization

While C2 does not currently avail itself of IW's general research services, it supports its partners to create practical knowledge products, such as the Criterion-Patamar collaboration on a gender assessment tool, the newly launched SEAF Equality Scorecard, or the GIIN's database for its members' gender strategies. C2 also cooperates with the MEL unit in planning IIP and investee-company case studies. However, C2 still could do more in this area, especially by commissioning specific research projects that generate deeper insights on the business case for investing in WSMEs. In early August 2018, C2 issued a request for proposal (RFP) for research projects "to expand understanding of market opportunities, map out promising growth sectors and unserved/underserved areas, and highlight evolving approaches and tools that enhance investment opportunities for women's SMEs." This RFP is a step in the right direction. C2 should, in particular, encourage proposals from local consultants, think tanks, institutes and universities that could also potentially partner with the Component in Phase 2.

2.10 Range of investment instruments available

The C2 review team did not have the opportunity to review the term sheets negotiated between investees and IIPs, and thus has limited ability to comment on the investment instruments being used by partners. It would be useful to assess the extent to which these instruments are preferred or perceived to be useful by WSMEs, with focused research on products used in the market and products for which there is demand.

In Phase 2, there is the potential for C2 to explore instruments associated with non-bank financial institutions, financial-technology or alternative-financing players that employ innovative technology, quantitative and qualitative data collection and analysis and alternative distribution channels. It would also be possible in the next phase to pilot other instruments—such as cash flow-based lending, asset-based lending, and various kickers in mezzanine debt or debt-like equity structures—in alignment with C2 outcome targets and women's economic empowerment more generally and in recognition of the many different market positions, industries, growth stages and capital needs of WSMEs.

2.11 Appropriateness of expanding beyond the three current countries

The question of whether or to what extent Component 2 should expand into other countries is another key choice-point for the design of Phase 2. There certainly is a case for expansion.

The first group of aid-eligible countries that should be considered are in Southeast Asia: Myanmar, Cambodia and Laos. A more ambitious expansion could also potentially involve selected South Asian countries, particularly Bangladesh, Sri Lanka and Nepal. Generally, the advantages of expansion include extending the reach and influence of the mission of Component 2 (and of IW and DFAT), mobilizing impact investors to increase investment flows to WSMEs in these new countries, and broadening the ecosystem of players in the regional GII ecosystem. Among the disadvantages of the expansion option are that C2 would need to expend considerable front-end time and effort assessing these new markets and identifying potential partners with a presence there, the three Southeast Asian expansion countries offer only small (Laos, Cambodia) to medium-sized (Myanmar) market opportunities, and these three countries already host a heavy presence of western and Chinese development and investment capital and, Cambodia, in particular, is saturated with microfinance institutions.

However, there is also a very strong case for C2 remaining focused on Indonesia, Philippines and Vietnam, the three largest countries in Southeast Asia, with average GDP growth rates of about 5% per annum and expanding middle class populations. Further, the scale of unmet need in these countries for investment in women-owned and -led SMEs remains very substantial. In Vietnam, for example, the IFC estimates that there are more than 40,000 registered WSMEs facing an aggregate financing gap of USD 1.2 billion. In Indonesia WSMEs represent a \$6 billion market opportunity for lenders and investors. In Philippines, 80% of WSMEs remain underserved by banks. Moreover, C2 and its partners are steadily building the deeper, detailed knowledge and stronger relationships in these markets that will enable them to optimise their outcomes by the end of Phase 2. Finally, C2's budget for Phase 2 could be quite substantial but it will also be finite; focusing limited programming funds on the three best-understood and largest markets in the region is also an administratively efficient use of resources.

While both options have merit, therefore, the C2 review team strongly recommends that C2 not expand into additional countries but instead use Phase 2 to deepen and broaden its activities and outcomes and maximise the sustainability of its results in its three current programming countries. C2 has made much progress towards the business case in the three current markets. While it is early in the investment cycle, there are nonetheless many early successes that can be promoted as base or best cases, to serve as learning tools on what is necessary before entering other markets. Resources would be much better spent moving towards definitively demonstrating the case for commercial investment in WSME in these three markets, rather than spreading C2's efforts and resources too thinly and trying to prove the case in more countries.⁴

⁴ One possible exception to this could be a scenario in which another bilateral donor or major foundation became a co-funder and brought additional resources into Phase 2 of Component 2. In such a scenario, C2/IW could work with the co-funder to develop a manageable plan for expansion, including an increase to the staff complement and operating budget of C2 itself to implement this expanded mandate. In this scenario, the option of adding countries in Southeast Asia (Myanmar, Cambodia and Laos) or selected countries in South Asia (e.g. Bangladesh, Sri Lanka, Nepal), could be explored.

2.12 Appropriateness of expanding to regional cities within countries

Engaging with women entrepreneurs and investors where they are based is fundamental to investment success. C2's impact investment partners have rightly begun their pipeline development and investee selection processes in the largest cities of the three programming countries. Not only are innovative, commercially viable companies led by women most likely to emerge from such major urban centres, but investors operating out of these centres also seek proximity to investees for efficient due diligence, governance, advisory and monitoring activities.

At the same time, however, all three economies feature major second- and third-tier cities with substantial populations and dynamic economies which are also home to many promising WSMEs. C2 impact investment partners are, in a natural progression, already beginning to engage with regional cities. In Indonesia, for example, Patamar and Kinara have promoted their accelerator program in six cities. For its part, Root Capital's focus on the agriculture sector requires it to engage with regional cities and rural areas as it targets investees operating in its priority value chains of coffee, cocoa and coconut. C2 should monitor the reach of its partners into these areas and document insights and lessons that may be distinct from experience in the largest urban centres. Providing that GLI is a viable commercial undertaking for investment funds will entail showing sufficient pipeline. In order for that to happen, the pipeline must be diverse in terms of sector, stage and geography. This is another important factor in favour of the IIPs shifting from capital cities to other regions where WSMEs also exist and need funding.

3 Efficiency and effectiveness of program management

3.1 C2 complementing and/or duplicating other activities by DFAT and other donors

C2 activities, models, experience and advice have been utilised and appreciated by DFAT's Gender Equality Branch as well as by the Department's Development Finance Section and its innovationXchange (iXc). C2's work complements the activities of these units. The C2 team is working to ensure that its relationship with the Department's new, ten-year programmatic instrument, the Emerging Market Impact Investment Fund (EMIIF) is also complementary.

Southeast Asia is home to a wide range of other donor- and DFI-led programs in WSMEs and gender lens investing. Among the key players in this space are: the Department for International Development (UK), the Banking on Women and Gender Secretariat of the International Finance Corporation, Asian Development Bank, FMO (the Dutch development bank), USAID, the 2X Women's Initiative of the Overseas Private Investment Corporation (the American DFI), and the WE-FI initiative of the G-8. These efforts coincide with a more general push in recent years among multilateral and bilateral donor agencies and DFIs to advance sustainable development goal's (SDG) Goal 5 of gender equality through development finance. With its focus on investing in WSMEs, C2's most relevant competition—as well as its

most potentially useful collaborators—include the IFC's Gender Secretariat and the multi-donor WE-FI Initiative. Efforts should be made to explore potential cooperation with these players in the final year of Phase 1 and the initial year of Phase 2.

3.2 Adaptability and flexibility of Component 2

While faithful to the EoPOs for Phase 1, Component 2 has also demonstrated considerable adaptability and flexibility. One of the strengths of C2 has been its ability to locate, vet and create innovative partnership agreements with relative speed. Moreover, the ability of IW's program management team to respond to partner requests for accommodating adaptations of the GLI definition has been highly productive, particularly considering the limited direct experience of some members of the IW and DFAT teams in how investment funds are structured and managed.

Another example of flexibility is C2's engagement of two non-profit, development-oriented IIPs in Round 2 to complement the commercial orientation of its two Round 1 fund managers. The next test of C2's adaptability will turn on the extent to which the Component can now shift from engagement in Phase 1 with primarily western, to increasing collaboration with Asian and regionally-based partners in Phase 2. The C2 review team expects this transition to occur effectively and efficiently.

3.3 Meeting private sector expectations

While the IIPs are making some progress in attracting private investors to individual investment deals and mobilizing private capital through their new vehicles and funds, such private actors so far tend to be impact funds, HNW impact investors or foundations, or local private investors with family or place-based links to investee firms. However, for investors taking a purely commercial approach, C2 is a considerable distance from meeting their expectations. Because any commercially oriented financial intermediary needs to see quantifiable financial results, C2 should gather relevant data now and publish the results—good, bad or ugly. C2 and its partners should continue to socialise and push GLI in the investment community. GLI and impact investing are becoming more mainstream, and it is only a matter of time before GLI is taken seriously by major private investors. Five years ago, few would have expected that Kohlberg Kravis Roberts would be pushing environment, social and governance indicators and SDGs today, or that BlackRock, Morgan Stanley, Barclay's or Goldman Sachs would become prominent promoters of impact investing.

3.4 Effectiveness/efficiency of performance agreements with impact investing partners

The innovative performance-based agreements with IIPs, and the flexibility to discuss partner plans, refinements and adaptations under the PBAs, constitute major strengths of C2. In general, the agreements have been implemented effectively and efficiently by the parties. The implementation process could have been accelerated somewhat if C2 had access to its own investment expert to advise on how private equity deals and investment firms are structured, their operating models and constraints, and when and how they can integrate blended finance. Currently, a major issue for IIPs is that their exit strategies from individual

investments are uncertain. It is important for the parties to the PBAs to agree on acceptable exit options as early as possible in Phase 2. As noted, understanding and agreeing on a clear set of exit options in advance will ensure that successful exits will happen when the timing is right.

3.5 Management of programmatic and DFAT risks

C2 is diligently, prudently and professionally managed. The Component team has put in place a group of policies, practices and tools that combine to significantly mitigate programmatic and DFAT risks. These include rigorous partner selection, quarterly reporting by C2 partners, semi-annual monitoring meetings with partners, and the use of PBAs with IIPs and task-based agreements with market-builders to hold partners accountable for activities and outputs and for staying on budget. Further, the new interest of IIPs in regional and rural centres and in the gender and social impacts on WSME employees, suppliers and customers, strengthens C2's position in relation to poverty reduction, an area in which the Component was neither strong nor explicit in its early years.

3.6 Appropriateness of scope and resourcing of Component 2

C2 accounts for nearly two-thirds of all IW programming expenditures, projected to total \$19 million by the end of Phase 1. As such, it is the largest IW component in budgetary terms. And within C2's program spending, the largest elements are PBA grants to the four IIPs, totalling nearly \$16 million for Phase 1. Component 2 has demonstrated its ability to use this level of resourcing effectively. Multi-year PBA grants ranging from \$2 million to \$5.5 million provide investment capital and operational support tailored to IIP strengths and plans in the region. Phase 2 of C2 should provide some modest additional support to the Phase 1 IIPs to refine and disseminate their tools, lessons and other knowledge products. Some of the budget for Phase 2 should be used to supplement the individual PBA budgets of current IIPs, but a larger proportion of the budget should be allocated to new PBAs. Building on C2's Phase 1 experience, all of these Phase 2 expenditures by C2 should be made on the basis of clear outcomes and expectations, with C2's contribution diminishing over time. Working with carefully selected Asian partners or investors should be prioritised in Phase 2.

In terms of C2's budget in Phase 1 for market building activities, C2 was also able to effectively utilise this level of resourcing. It is expected that these expenditures will total \$2.2 million by the end of Phase 1. The allocation to the GIIN for working group and research activities was the largest of these costs. Other key allocations entailed the retainer agreement with the Criterion Institute and C2's contribution to the Gender-Smart Investing Summit. Looking ahead to Phase 2, C2 should shift its emphasis to increasingly working with local market-building champions, while building on the excellent work in Phase 1 of the western partners. This shift should also involve continuing to convene to build human infrastructure, while also ensuring that action is being taken. Negotiating a substantial, multi-year partnership with AVPN, local SheEO groups, Next Wave Impact or other local networks working with investors, seeding the establishment of national networks on GLI or impact investing, and co-hosting a gender summit in Southeast Asia are among the possible options deserving C2's consideration for the next phase.

In Phase 2, Component 2 should continue to focus on narrowing the investment gap with financing, by sponsoring prizes/investments with GLI cohorts of incubators, in partnership with angel networks, incubators or other co-sponsors. In this way, C2 can act as a passive co-investor to help stimulate investment, risk-taking and knowledge-building among local investors and investor groups that otherwise might not participate.

3.7 Suitability of MEL framework, metrics, reporting and learning

Overall, the MEL framework for C2 is robust and comprehensive. The three studies—impact investor cases, WSME cases, and market building—are targeted to the appropriate levels and actors in Component 2, framed overall by C2's theory of change. Reporting and learning processes are appropriate as well, as are the qualitative methods for data collection and analysis. However, the framework should include metrics that C2 impact investors are using, particularly in the area of GLI and social impact at the organization, portfolio and individual investee levels. The evolving GLI action plans of SEAF, Patamar, Root Capital and soon C4D Partners, set out metrics at these levels and include work on more precise gender tools for the investment process. At the partner level, MEL will need to monitor metrics of organizational change, some of which are embedded in GLI action plans. At the investee level, Root Capital already tracks key metrics across the companies in its portfolio (see Table 3). For its part, the C4D Partners investment model tracks outputs and effects of increased income from investee firms on low-income producers, employees and entrepreneurs.

By expanding the extensive MEL framework to secondary and tertiary beneficiaries, program impact measurement is enhanced while simultaneously deepening the long term effects on the broader ecosystem. This increases awareness of issues in the larger population and embeds thinking in primary partners to look not only internally, but to encourage positive GLI thinking in others. The work that DFAT supports fundamentally addresses the needs of vulnerable populations. Vulnerability perpetuates poverty, isolation and victimization. By keeping these segments more visible in mainstream populations, some of the stigma and vulnerability disappears with awareness, and IW's catalytic impact reaches well beyond its direct partners.

Some sample metrics that could be used to understand and measure secondary and tertiary impact are as follows: What is the gender composition of the portfolios of other SEAF funds? To what extent does Kinara apply a gender lens in its work, including to workplace equity issues? What is the gender composition of training partners in the Root Capital network? When C4D (or any partner) hires local cleaners/drivers/etc., to what extent do they employ women or women-owned firms?

Figure 4 shows how the MEL team could, perhaps in Phase 2, even assess the *household*-level results of employment and income from investee companies. Although the C2 TOC is clearly focussed on empowering women through the partners and financial intermediaries, not documenting and rendering visible their impacts on households only tells part of the story. The MEL team should integrate and track these and other secondary and tertiary gender and social metrics into the WSME case studies, and purposefully work to become a thought leader

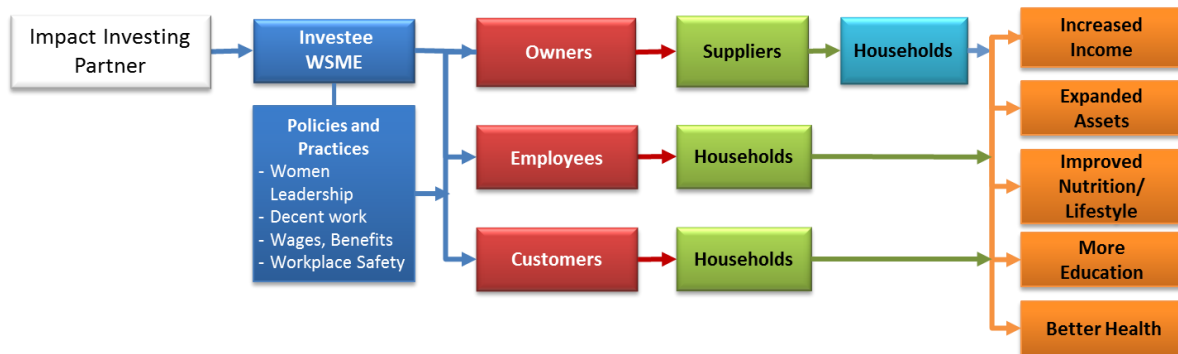
as it publishes and speaks about its learning in this area in the fields of development, investment, philanthropy and evaluation.

Table 3: Gender metrics for WSMEs, Root Capital

% women owners	% women producers and artisans	% women agronomists and technicians
% women board members	% women field employees	% women agro-processing employees
% women non-managerial employees	% women managers	% women producers, artisans, employees

Source: Root Capital, 2018

Figure 4: IIP investment in an WSME



Source: Authors

Finally, in examining progress toward the business case for investing in WSMEs, the MEL team needs to understand and report on the effectiveness of the incentives that drive fund managers and the dynamics of supply of and demand for capital in commercially viable investment models. Additional MEL investment adaptations specifically for C2 could include demonstrating correlation between MEL metrics and portfolio performance, and/or how GLI metrics relate to EDGE scoring and company performance (link to C1).

4 Sustainability of the Program

4.1 Evidence of catalyzing of investments in WSMEs

While a relatively short period of time has elapsed since they signed agreements with C2, there is, nevertheless, early, solid evidence of Round 1 impact investment partners building strong pipelines and carrying out screening and due diligence, leading to a first cohort of initial deals.

It is very promising that SEAF has been able to identify nearly \$7 million in possible co-investment financing from diverse investors. For its part, Patamar's collaboration with the Kinara accelerator in Indonesia has added 24 firms to its pipeline, several of which have already attracted investment commitments from other local investors. There seems to be sufficient supply of qualified WSMEs, especially outside of Jakarta, to ensure a healthy and sufficient pipeline for identifying appropriate deals for deploying the full amount of capital targeted by Patamar in its PBA.

4.2 Programmatic learning for other DFAT interventions in impact investing

DFAT colleagues consulted for this review report expressed appreciation for the contributions of the C2 Director and Criterion Institute (CI), in particular, for their advice and guidance in shaping new interventions, such as iXc's Scaling Frontier Innovation for social enterprises and its support for the Global Innovation Fund. Looking ahead, C2 could explore collaboration with iXc on accelerators and incubators for WSMEs. For its part, the Development Finance Section's design of EMIIIF was informed by the work of C2 and CI, among others. In addition to working through future cooperation with EMIIIF, once it is up and running, on IIP monitoring and reflow administration, C2 should cooperate with the facility's possible GLI training for fund managers working with EMIIIF. Finally, the Gender Equality Branch has learned much, and also contributed a great deal, in the implementation of C2. Phase 2 can provide an opportunity to further advance this process of mutual learning between C2 and its partners and these and other DFAT units.

4.3 Links and complementarity with other program components

Ensuring productive links and complementarity with other IW components is important for both Phase 1 and Phase 2. Specifically, there is an opportunity, identified by Patamar in particular, to engage some of the elite-level and HNW women involved in the business coalitions of Component 1 to become investors in, or mentors to, the portfolio companies of the IIPs. While this connection may not yield large numbers of new relationships, it may well generate a few new links that could matter a great deal to the success of investee firms. Further, the work being undertaken by Ernst and Young on a retail-focused gender bond linked to Economic Dividends for Gender Equality performance under C1 could be enriched, supported and amplified by C2. The need for new fixed income products for both institutional and retail gender lens investors is well-documented. Both C1 and C2 share the common goal of enabling this effort. The IW leadership team has expressed willingness to facilitate such cross-component synergies.

4.4 External actors and factors influencing sustainability

While they are not permanent, and shift over time, cultural norms and practices that restrict women's ability to carry on business, build and own assets and access financing are permanent and, at times, resurgent factors limiting the sustainability of investment flows that empower women. The patriarchal structure of finance in general can undermine gender equality at all levels. Civil conflict and humanitarian emergencies, including mass refugee migration, are other factors that can limit capital flows to WSMEs. Large-scale projects, such as China's Belt and Road Initiative, are subject to male-dominated elite capture. On the other side of the sustainability coin, women's growing influence in the region on household consumption decisions, their expanding presence on some sectors of the labour force, and their increased visibility in leadership positions in the economy, politics and civic institutions, all serve to reinforce—or, at least don't restrict—investment flows to WSMEs.

The chief actors that can champion increased investment in WSMEs include IW impact investment partners, other foreign and local finance-first and impact-first investment funds,

development finance institutions, banks, microfinance institutions, corporate social responsibility programs, women's business associations, foundations, family offices and HNW venture philanthropists from inside and outside the region, official and non-governmental development agencies, and service providers such as universities and consultants. In the longer term, Asian investors and champions for WSME investment will be the prime agents to ensure sustainability of the work C2 is supporting in Southeast Asia. That is why C2 should shift its attention to local investors in Phase 2.

Box 1: Catalytic capital for women's economic empowerment

The C2 review team has found that Component 2 of Investing in Women has been highly catalytic in its use of capital in Phase 1—with the ultimate aim of boosting women's economic empowerment. It has deployed its funding in strategic and creative ways that leverage the investments of C2's partners and other stakeholders to directly empower women entrepreneurs while progressively building the business case and ecosystem for closing financing gap for women-owned businesses in its three programming countries.

Closing the funding gap for women-owned businesses is not solely about investing money in businesses; it is about working at multiple levels and with multiple stakeholders. In carrying out its mandate at the WSME level, C2 must also ensure it is not creating dependency among women entrepreneurs or those who may expect free money.

Providing grant support toward the operating expenses of investment partners is one of the most catalytic uses of capital. For funds or investment firms, this helps cover the costs of set-up, building pipeline and carrying out due diligence. For other service providers, providing strategic financial support for travel, networking, convening and promotion is also effective and catalytic. Looking ahead, C2 should place greater emphasis on supporting local investment partners and market-builders. And C2 should continue to strongly encourage international partners to root themselves in the region by establishing local offices and hiring local staff.

In deepening knowledge and thought leadership in demonstrating the business case, C2 needs to focus particularly on the factors and dynamics of importance to commercially oriented investors. Further, through the GLI action plans of its investment partners, C2 can use its funding to broaden and deepen the gender and social impacts within investor organizations and investee businesses. Finally, C2 can lead by example in its own human-resource and procurement policies that advance women's economic empowerment in its own workplace. Taken together, all of these actions can constitute a significant catalytic effect.

5 Directions for Phase 2

This chapter sets out broad directions for the design of Phase 2 that follow from the foregoing assessment of Component 2. It also identifies issues that require future research and analysis.

5.1 Greater engagement of local and Asian partners

The C2 review team is recommending that, in Phase 2 of Component 2, IW shift to greater engagement of local (i.e. funds, companies and organizations local to and based in the three programming countries) and other Asian impact-investment partners. The aim of this approach is to anchor gender lens investing in local institutions in ways that will sustain the results achieved and practices promoted by IW beyond Phase 2. As strong as they can be, western impact investors and other partners are directed from the Global North and almost

always have competing interests in other parts of the world, and finite resources. For the very long term, they cannot be considered permanent players in the way that local institutions can. An important task in Year 1 of Phase 2 will be identifying a long list of potential local/Asian IIPs. This task should be completed by the end of Q2 of Year 1.

While identifying, assessing and engaging local and Asian partners to spark the implementation of Phase 2 of C2 will require considerable effort on the part of the C2 team, two points must be highlighted. First, the main purpose here is to use the C2 grant model to incentivise a small number (two to four) of impact investment partners, commercially oriented, that are local/Asian to increase their flows of capital to WSMEs. Most of the programming budget of C2 in Phase 2 would be directed to this purpose. Second, the second phase of C2 will continue to work closely with western IIPs and other partners. The difference in Phase 2 is that western partners will not exclusively lead the implementation of the component; instead, they will share that role with their local/Asian peers. A detailed plan for this shared responsibility in both sub-components should be developed by the C2 team by the end of Quarter 2 in Year 1 of Phase 2, Component 2.

Some examples of the types of partners and programs that have been very effective in building a local ecosystem and investment community to stimulate GLI in Africa can be found in Annex D.

5.2 Emphasising commercial viability as well as impact

For the direct market interventions sub-component, the C2 review team also recommends that Phase 2 of C2 emphasise the commercial viability of individual investments by IIPs, and of their WSME targeted funds and other vehicles, especially through their exits. Again, it is the commercial approach that will ensure expansion and sustainability of investment flows to WSMEs in the three programming countries and Southeast Asia more generally. To that end, all of the local/Asian IIPs selected for Phase 2 should be commercially oriented, and at least one should be private sector with a finance-first orientation. At the same time, C2 should support the achievement of robust gender and social impacts by these firms and funds, as has been done in Phase 1. In addition, C2 should engage other local/Asian IIPs that are impact-first oriented, as well. This mix has worked well in the western IIPs selected for Phase 1 and should work well again in Phase 2.

5.3 Maintaining budget-allocation proportions

Phase 2 should maintain similar budget-allocation proportions to those of Phase 1, both across and within C2's two sub-components. In Phase 1, about three-quarters (74%) of all programming funds for C2 were allocated to grants to the four IIPs, while some 12%, mostly for two partner-organizations, went to ecosystem building and other activities.

The review team proposes an overall envelope of up to AUD 30 million for Phase 2 of C2. Of that total envelope, it is further proposed that 70% or AUD 21 million—or AUD 5.25 million per annum over four years—be allocated to C2 programming activities. Moreover, about three-quarters of that amount, AUD 15.75 million, should be spent on direct market interventions, that is, grants to incentivise impact investing partners. For Phase 2, the review

team suggests that 70%, or AUD 11 million of that amount, be granted to investment partners for investment capital for WSMEs, and 30%, about AUD 4.7 million, for operational expenses. The bulk of these grants should be allocated to two to four local/Asian IIPs. Additional funds may be provided to the current four IIPs if necessary. Key knowledge products of the current IIPs should be funded to help support the business case for commercially oriented investors. If deemed appropriate and useful, and on the basis of detailed proposals, additional, substantial investment capital and operating funds may also be granted to the current IIPs.

Another important element in the market-interventions budget would involve C2 providing grant support to test and scale up non-financial services to strengthen WSME viability and growth. This funding would be used to cover the operating expenses or other activity costs of NFS providers, some of which might even be based outside the immediate programming area, elsewhere in Asia. Up to 30% of programming funds, should be directed to ecosystem building activities in Phase 2. While some of these funds would be used to extend and focus the work of the current western ecosystem-building partners, most of these grant funds should be allocated to agreements with local/Asian partner organizations for research and knowledge mobilization, and for a large regional conference on GLI near the end of Phase 2. Co-investing or providing seed capital to accelerators could be taken out of the budgets for either direct investments or non-financial services.

5.4 Undertaking future research and analysis

In this report, the C2 review team has raised a number of directions and issues for the design of Phase 2 whose detailed examination is beyond the scope of this review. However, C2/IW should consider commissioning future research and analysis on these topics by staff and/or advisors. These tasks should be undertaken in parallel to Component 2's Phase 1 activities in 2018 and 2019. In summary, the main issues that require future research and analysis include:

- 1) *Finalizing guidelines for exits from investments:* Working closely with IIPs and C2 staff, an advisor would develop, workshop and finalise guidelines that clearly set out the options for investors when they exit their investments. The guidelines would include a range of conditions of investee performance and buyer characteristics that are aligned with the mandate of Component 2. Emphasis in the guidelines would be placed on exits that demonstrate the commercial viability—the core of the business case—of investing in WSMEs. This assignment should be completed before the end of the final year of Phase 1.
- 2) *Identifying a long list of potential local/Asian investment partners:* To prepare for Phase 2, C2 should commission granular research on the strengths and weaknesses of potential investment companies and funds and other partners based in each of the three programming countries and in the Asia region at large. The aim would be to develop a long list of 15-20 potential partners for Phase 2 from which two to four would be ultimately selected and engaged with the full C2 model (selection process, performance-based agreement including grant money for investments and

- operational support, and gender lens action plans and coaching). To build this long list, an advisor would examine candidate-organizations in impact investing (see the GIIN study), microfinance, development finance, venture philanthropy, angel investors, corporate social responsibility and other relevant networks. Exploring candidate organizations attitudes and practices on gender equality and GLI will also be an important part of this work. This assignment should be completed by no later than Quarter 2 of Year 1 of Phase 2.
- 3) *Examining new investment instruments and vehicles:* It would also be useful for a consultant to carry out further research, analysis and liaison on a range of additional investment instruments and vehicles that could be used in Phase 2. Among others, this would include liaising with Ernst and Young on its work for Component 2 on a gender bond and with other institutions working on both retail and institutional products that apply a gender lens. Exploring with IIPs, other investors and selected WSMEs on the relevance, appropriateness and growth potential of these products could also be part of this assignment.
 - 4) *Undertaking detailed research on lessons and comparative performance from other relevant experiences:* Drawing on both professional and academic literatures, bolstered by interviews with selected key informants, this assignment would examine comparative experience in incentivizing investment in SMEs and WSMEs, instruments used, exits achieved, and the business case demonstrated, particularly for commercial investors. The work could be carried out by a consultant or research institution and should be completed no later than Q3 of Year 1 of Phase 2.
 - 5) *Documenting and analyzing relevant non-financial services delivered in Southeast Asia and elsewhere to strengthen WSMEs and GLI:* A researcher or consultant should be engaged by C2 to carry out a thorough study of the widest range of non-financial services currently being provided to WSMEs and for GLI in Southeast Asia and the region. Information on the effectiveness and efficiency of these non-financial services should also be collected through interviews and document review. The utilization of this study will be two-fold: to better understand how to optimise the results of various combinations of NFS and financial services and also to identify potential local/Asian partners to advance both C2 sub-components. This task should be completed before the end of Year 1 of Phase 2.
 - 6) *Exploring collaboration with the International Finance Corporation and its partners, and other DFIs and donors in the region:* To explore reciprocal partnerships and synergies, C2 staff supported by an advisor should hold direct talks with key units in the IFC, including its Gender Secretariat, Financial Institutions Group, Blended Finance and Development Impact units, as well as relevant portfolio managers responsible for investments and programs in Indonesia, Philippines and Vietnam. It would also be useful to explore mutual interests with a sample of IFC or other agency partners active

in the three countries, including local banks, Goldman Sachs, ADB, DFID, FMO, and other donors to WE-FI, plus in-country DFAT representatives, among others. The main outputs of this effort would be a set of memoranda of understanding framing and encoding key partnerships that would add value to Phase 2 of Component 2. This work could be carried out by C2 staff and a short-term advisor in 2018-2019.

- 7) *Identifying a long list of local and Asian ecosystem-building partners:* The mandate of this piece of work, which could be carried out by a consultant, is to identify credible, accomplished organizations based in the three programming countries, and in Asia more broadly, that could organise and facilitate convenings and conferences, anchor networks and oversee research on WSMEs, GLI and impact investing. Tapping a variety of networks (on, for example, gender, microfinance, corporate social responsibility, development finance, philanthropy, etc.), the ultimate aim of this assignment is to position Component 2 to engage three to five local/ Asian partners to build the GLI ecosystem in Southeast Asia. Utilizing a broad definition of GLI is appropriate here. The assignment should also set out a pathway for co-management of the ecosystem building work among local/Asian and western organizations. This task should be completed in Q2 of Year 1 of Phase 2.

6 General recommendations

In light of the innovative models and tools, the capable partners, the notable achievements to date, and the work still to be done in Component 2 of the Investing in Women Initiative, the C2 review team recommends that DFAT approve a four-year Phase 2 of C2.

The design of Phase 2 should be based on the following priorities: 1) mobilise catalytic capital, especially Asian capital, for direct market interventions as well as the ecosystem-building needed for sustainable GLI; 2) build the business case using component successes to date to show early indications of commercial viability and learning; 3) lead by example in human resource policies and GLI reporting, to demonstrate the IW journey for partners, investees and supporters; 4) maintain the focussed GLI definition of investing in WSMEs while supporting the adaptations of IIPs and diverse perspectives in the broader ecosystem; 5) achieve thought leadership through the production and dissemination of new knowledge products (e.g. case studies, tip sheets), particularly documenting and reinforcing the business case; and 6) continue to create an enabling environment by leveraging strengths and experiences of all partners and advisors.

The following are general recommendations on the design of Phase 2:

6.1 Size of C2 in Phase 2

Recommendation 1: *Relative to IW as a whole, C2 should maintain its current major role in IW as a whole.* There is more work to be done in Phase 2 to support capital deployment and generate deeper knowledge to demonstrate the business case, as well as to anchor Component activities and results in local players and systems.

6.2 Structure of C2 in Phase 2

Recommendation 2: *In Phase 2, C2 should maintain its two main sub-components of direct market interventions and ecosystem building, and also include a robust knowledge mobilization sub-component and targeted MEL activities.*

6.3 Focus of C2 in Phase 2

Recommendation 3: *The focus of C2 in Phase 2 should be on demonstrating the commercial business case for investing in WSMEs and in building GLI capacity in Asian investors and ecosystem actors in the region.*

Recommendation 4: *In Phase 2, C2 should deploy its DFAT budget to focus on the current three programming countries and not expand into other countries, unless a co-investor contributed additional budget capacity.⁵*

Recommendation 5: *In Phase 2, C2 should explore new ways and means of achieving synergies with other IW components, especially Component 1.*

6.4 Resourcing for C2 in Phase 2

Recommendation 6: *Assuming a Phase 2 budget for IW as a whole of AUD 45 million, C2 should be provided with a budget of up to AUD 30 million over four years (about two-thirds of the overall IW budget), a level of resourcing that will be sufficient to enable Phase 2 to succeed. This budget envelope would enable Component 2 to continue to support and document the efforts of its Phase 1 IIPs and also would provide resources for incentivizing a select number of Asian investors to invest in WSMEs and build their GLI capacity.*

6.5 The transition to Phase 2

Recommendation 7: *Within the limits of the budget and program planned for 2018-2019, C2 should utilise the findings and recommendations of the present review and of other IW review processes to achieve an efficient and effective transition to Phase 2. The current management structure and team for C2 have been effective in executing Phase 1, are appropriate for implementing Phase 2, and should be retained. The team will need to shift their attention to planning for year 1 of Phase 2 while managing the activities of the final year of Phase 1. This should be quite feasible.*

6.6 Exit strategies for post-Phase 2

Exit strategies for investments

Recommendation 8: *As soon as possible in Phase 2, C2 should work with funds and investees to address and define options for exit that provide optimal flexibility and clarity. Among the*

⁵ The possible exception to this would be if a co-funder (e.g. another bilateral donor or major foundation) contributed additional funding to enable C2 to expand to other aid-eligible countries in Southeast Asia (Myanmar, Cambodia, Laos) or perhaps even selected countries in South Asia (e.g. Bangladesh, Sri Lanka). The IW/C2 team could work with DFAT and any new funder to assess the most appropriate use of the co-investor's funds. In any case, this would require increased staffing and administrative capacity in Component 2.

key principles to be established through this process: proceeds can be used to create technical-assistance facilities to support solving key constraints; residuals can be rolled over to EMIF or other partner funds to manage or re-invest; other factors to be considered and limitations for specific partners.

Recommendation 9: *In this process of establishing direction on exit options, C2 should work with the parties to answer key questions relating, for example, to financial and social returns at exit and the reputation and intention of potential buyers. Among these are questions are the following: What is the minimum financial or impact return that is acceptable to trigger an exit? How important is reputation and intention of potential buyers? Must buyers be women owned/led? Do they have to have strong gender equity in their workplace environment? Will buyers who are impact oriented be preferred over profit-oriented investors?*

Exit strategies for the program

Recommendation 10: *C2 should continue to cooperate with EMIF to clarify the mechanisms and procedures under which it makes sense for EMIF to assume responsibility, as well as exploring other mechanisms for partners in the long term, for IIP reflows in Year 9 of their performance-based agreements. DFAT can draw on the expertise and experience of C2 partners—both IIPs and ecosystem builders—to support this process while ensuring a workable division of labour between C2, EMIF and other partner funds and institutions.*

Additional options for consideration upon exit by partners from their investments, to amplify the results of the Component as a whole include:

- Reinvesting any profits from profitable exits in perpetuating GLI;
- Redeploying un-deployed capital from one partner to other partner funds;
- Using un-deployed capital to seed other future partners/funds;
- Strategically identifying other fund partners;
- Supporting local fund managers or ecosystem actors with operating expenses.

Recommendation 10: *In the second half of Phase 2, a mid-term review of Phase 2 should be carried out to permit adjustments and updated forward planning. The review should be undertaken by external consultants and should assess progress to date, innovations, challenges, lessons and recommendations for adjustments to the design and operations of Component 2 for the final years of Phase 2.*

Recommendation 11: *In Year 2 of Phase 2, C2 should commission a study of feasibility and options for a possible new entity or program to carry on IW's work on impact investing and GLI following the termination of Phase 2 of DFAT funding. While it is expected that by the end of Phase 2, IW will have achieved its goal of decisively demonstrating the business case for investing in WSMEs and building local GLI capacity in the region, the actors and factors working against women's economic empowerment are also expected to persist. As such, an entity or a program—e.g. an endowed foundation or non-profit working for WEE as a public good in a non-proprietary manner and promoting expanded investment in WSMEs—could be useful in carrying on IW's work. It would be ideal if such an entity were locally domiciled,*

governed and resourced in the one of the C2 programming countries or elsewhere in Asia (e.g. Singapore). In general, the entity should be grant-funded by local high net-worth individuals, family offices, foundations and companies, and also should generate earned income through training and consulting—not DFAT funds. The US-based Toniic organisation could be one such model (www.toniic.com). The study recommended here would examine the need, and assess the organizational and resourcing options, for this type of entity or program.

7 Detailed recommendations

In light of the successes of Phase 1 of Component 2, the C2 review team sets out in this chapter a series of detailed recommendations aimed at building the business case for commercially oriented investors in the three current programming countries: Indonesia, Philippines and Vietnam. These recommendations are organised in six categories: Amplify, Catalyze, Lead, Demonstrate, Build and Set an Example. Specific examples of relevant projects and activities that could be carried out by Component 2 in Phase 2 are provided for each category.

Figure 5: Priority roles of Phase 2 of Component 2

Amplify Achieve thought leadership through the production and dissemination of new knowledge products (e.g. case studies, tip sheets), particularly documenting and reinforcing the business case	Lead Maintain the focused GLI definition of investing in WSMEs while supporting the adaptations of IIPs and diverse perspectives in the broader ecosystem As soon as possible in P2, begin work with funds and investees to address and define options for exit that provide optimal flexibility and clarity, and also answer key questions relating, financial and social returns at exit and the reputation and intention of potential buyers	Demonstrate Build the business case using component successes to date to show early indications of commercial viability and learning
Catalyze Continue to mobilize catalytic capital and resources in 2 ways: direct market interventions, and ecosystem-building needed for sustainable GLI		Build Continue to create an enabling environment by leveraging strengths and experiences of all partners and advisors Set an Example Lead by example in human resource policies and GLI reporting, to demonstrate the IW journey for partners, investees and supporters

7.1 Amplify

Amplification entails publishing stories, articles, blogs, case studies—whatever it takes to generate buzz and create awareness. Below are some themes that should be amplified by the major stakeholders in C2, as well as specific examples for consideration:

- GLI Working Group—as a standalone, this is a unique approach to investing in Southeast Asia; it supplements pure investment with industry leaders who can make connections, provide support to partners and help to cross-pollinate learnings; this logic and impact is a great case study;
- The IIPs have each embarked on remarkable GLI journeys: SEAF, Patamar, C4D and Root Capital. Each story is unique and provides successful examples of how different organizations can “right fit” GLI. It helps to show that the journey, and GLI

are not one size fits all, creating role models for others to follow. Some stories that could be highlighted include:

- Root Capital's experience in offering financial literacy for its own employees;
 - SEAF's efforts at organizational alignment for workplace equity, including internal awareness-building of GLI; its development of a gender scorecard; how it effects origination and deal structures;
 - C4D using GLI as a catalyst to create a finance-first fund out of a more traditionally philanthropic focused NGO;
 - Patamar's integration of GLI into organizational culture and impact investing mission for seeking returns that improve lives of women through empowerment.
- Tell stories of fund partners and investee companies through participation (and supporting their attendance) at conferences, events and symposiums where there is an opportunity to be an example. Celebrate the stories of women you've empowered—acknowledge their success and the IW role in it;
 - Illustrate the use of Innovative partnership arrangements to align incentives. Sharing the highlights of the mechanisms, how they have worked in practice, and have stimulated investing are ideal for case studies; this is also an opportunity to highlight why building local presence matters;
 - MEL—what matters, why it matters, how to get around challenges of imperfect data, approaches that are being used and have been tried.

7.2 Catalyze

In Phase 1, IW provided the ultimate catalytic capital in C2 by committing capital to be directly deployed by and through the four partners, in addition to supporting critical operating expenses. In Phase 2, it will be important to ensure the Phase 1 capital is deployed. But more active catalytic effect should turn toward ensuring other key players in the GLI ecosystem are similarly supported. By strengthening the immediate ecosystem, this will help ensure that the capital deployed in Phase 1 is not perceived as an aberration or "fluke."

The ecosystem is important because closing the funding gap for women-owned businesses is not solely about investing money in businesses. IW should strategically invest program funding to leverage the work of partners and other stakeholders in the ecosystem in the three countries by narrowing the gap between those with the money to invest and GLI businesses in which to invest.

At the same time, IW should ensure that funding is catalytic, and not creating dependency whereby stakeholders or entrepreneurs expect free money. Funding operational expenses is one of the most catalytic uses of capital. For funds or investment partners, this helps provide support for set-up, finding pipeline and getting through due diligence. For other service providers, providing strategic financial support for travel, networking, convening and promotion is highly effective and catalytic. In addition, IW should support local actors where possible, and strongly encourage global partners to have a local presence. When local

investors and businesses interact with other local players, the necessary relationships develop faster and in a way that is more sustaining than with an organization or representative who isn't as invested in the region for the long term.

7.3 Lead

There is no doubt that C2 has taken the lead for innovative GLI in the region. To ensure long lasting effect, IW can and should lead by talking about the journey, partner smartly, giving others tools based on experience, and strategically using programmatic funding directly. Some examples of this type of leadership may include:

- Funding practical publications for industry leaders: *Guidelines for GLI Due Diligence*; Investing and managing a portfolio for other potential fund managers (finance first, commercial and impact); Gender Equality Scorecard, M&E Frameworks;
- Matching or providing first funds for accelerators to deploy. In particular, C2 should support incubators/accelerators with GLI cohorts by contributing deployable capital into the businesses, not only convening and networking.
- IFC has created some innovative partnerships and has strategically published success to build the business case for workplace gender equity. Building on this work, C2 should develop similar partnerships and case studies specific to IW countries, partners or investees with a fresh and/or regional review of workplace equity for smaller firms. For example, this may be done with C4D or Root Capital in a particular sector (agriculture) or supply chain (organic food). In addition, talking about how C2 and each of the four partners have integrated GLI represent important milestones for the industry, both for donors and fund managers:
 - The She Works Partnership where ten leading companies pledged to implement measures to enhance women's job opportunities, such as mentoring, flexible work arrangements, and leadership training to increase diversity in management. Published best practices and practical approaches companies can implement to improve gender equality in the workplace
https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/gender+at+ifc/priorities/employment/sheworks+knowledge+report+putting+gender+smart+commitments+into+practice .
 - The IFC WIN Employment publication highlighting the journey of key partners (large corporations) to make the workplace more equitable
<https://www.ifc.org/wps/wcm/connect/5f6e5580416bb016bfb1bf9e78015671/InvestinginWomensEmployment.pdf?MOD=AJPERES> .
 - An industry example, with IFC's Umbrella Facility for Gender Equality (UFGE) (partially supported by DFAT) Toolkit and Guide for Increasing Gender Diversity in Oil, Gas and Mining Industries. This could be done by C2 for fund managers, using its IIPs as examples:
https://www.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/gender+at+ifc/resources/unlocking-opportunities-for-women-and-business .

7.4 Demonstrate

The recommendations around “demonstration” are largely anchored in building the business case for the C2 approach. In order to attract commercial capital, it is important to show that GLI, as defined by the IW program, is commercially viable. This should be fact-based, rather than anecdotal, and should include:

- Targeted primary research in two areas to help support the technical business case:
 - 1) With women SME in target markets in Indonesia, Philippines and Vietnam. Using gender neutral and unbiased methodology to hear directly from potential investee clients about their actual needs, versus what is speculated from the outside to be their needs.
 - 2) In investment-management companies, incubators/accelerators and other direct partners as to GLI awareness, impediments to GLI investing in Southeast Asia, structural constraints (there is intensive research here to borrow or leverage).
- Focus on proving (or disproving) the chatter that there is insufficient pipeline for investable, profitable women-owned, women-led enterprises in Indonesia, Philippines, and Vietnam. C2 should change the conversation, one way or another.
- Stimulate investment where the women owned entrepreneurs demand it, by targeting size, stage of investment and structures. Support research and pilots that help determine what the sweet spot is for investment and the financial products, structures and distribution that will narrow the credit gap.
- Focus on ensuring the current four IIPs are positioned to make committed investments, and motivated to deploy capital, show pipeline, publish journey, track and socialise early performance with thought leadership through case studies and learnings.
- Articulate the pipeline of potential investments in women owned enterprises by demonstrating successful investments to date.

A few notable examples of donor-funded programs that have furthered the business case for supporting women owned enterprises have been published by IFC in conjunction with clients. IFC Advisory banking clients develop programs to become the employer and bank of choice for women clients. These business cases articulate the commercial success of GLI which demonstrates to other businesses the viability of such investment. They also provide visible models for others to follow.

Many banking clients show positive financial returns on the investment. Two captured this return and told the story. In both cases, there was a nearly 30% increased profit from women clients within 12 months. The social impact for women's empowerment is also quite clear, locally driven and sustainable. The two examples in this regard are from BLC Bank Lebanon and BHD Leon Dominican Republic. An additional example of both financial returns as well as significant social impact was captured in the business case for Bank of Palestine. These examples can be found at:

https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Gender+at+IFC/Priorities/Entrepreneurship/investing+in+women_new+evidence+for+the+business+case .

7.5 Build

For Component 2, strengthening the entire system is as important as making direct investments. Through the various components of the IW program, there is much work being done in the ecosystem. To optimally lever funding, C2 should work with other components to co-fund, where possible. However, C2's focus should be on supporting those organizations, events and leadership that helps to narrow the gap for what commercially oriented funds need in order to consider GLI viable: that is, pipeline, instruments, portfolio quality, and exits. Some examples are as follows:

- Networks and community building vis-à-vis mentors, entrepreneurs, angel investors, impact investors, HNW individuals, family offices with education on GLI, impact investing and how to invest;
- Raise awareness among local fund managers, investment professionals and other financial intermediaries about GLI, impact investing, returns and pipeline;
- Foster collaboration and sharing among various stakeholders and partners across different components and advisory groups within DFAT units and networks;
- Support current partners in publishing practical "how to" guides within Industry: due diligence guides, Scorecards, MEL frameworks, defining GLI.

More specifically, other partners should be considered and supported as part of C2's (and IWs) efforts to build infrastructure for long term sustainability. For example:

- Seed SheEO cohorts in Indonesia, Philippines and Vietnam;
- Expand the relationship with Capria to provide additional training for fund managers on GLI, including different types of fund managers through Capria Network and Capria Collaboration;
- Support Next Wave Impact a venture capital fund of 99 women investing in other GLI start-ups in two ways: women angel investor trainings (grants to non-profits) and/or operational support for a Southeast Asia fund (www.nextwaveimpact.com). This helps to catalyze local women who can invest in other women, as well as build buzz in the region that stays in the region;
- Pilot with Pipeline Equity (www.pipelineequity.com) to develop tools specific to Southeast Asia, current partners, gender bond companies or other possibilities where IW wants to "score" companies on gender equity.

7.6 Set an example

Leading by example sends a powerful message about GLI. IW is establishing a tone for GLI in the region and is already setting a strong example. By continuing to do so, and pushing to do more, the IW program will be a catalyst long after the programmatic years of the program have ended. Some ways to be an example, many of which are already embedded in the IW philosophy, include the following:

- Set an example for ensuring IW employs women, uses women as consultants/firms for support, partners and fund managers have gender diversity and consortium members are gender represented. Publish these statistics as well as the IW journey along the GLI path;
- Tell stories of gender integration of GLI among C2 partners;
- Intentionally hire from and support, Southeast Asia-based or represented firms and partners;
- Continuously ask questions about women in the value chain at all touchpoints: in the firms hired by IW, invested in, in the firms employed as vendors by IW or investees or partners;
- Perpetuate the GLI philosophy in *all* decisions to set an example for others to follow; publish metrics on gender-disaggregated numbers of staff, consultants, partners, and vendors. Create awareness around women in the economy to empower key stakeholders and partners.

Globally, commercially oriented investment funds have been slow, even reluctant, to dive into GLI. In the region, funds tend to be very conservative and slow to warm to new types of investment. Furthermore, the prevailing investment strategy in Asia remains the “two pocket” concept, where there are monies to invest and monies with which to do good. In this strategy, each pocket of money is separate and they never meet. Although attitudes are beginning to change, and will continue to do so generationally, impact investing has been slow to take hold. IW's presence and success in GLI helps to set an example.

Of course, IW must work within today's environment in Southeast Asia for GLI. However, for GLI to take hold over the long term, beyond Phase 2 of C2, local support and buy-in is imperative. Some examples of specific ways to support regional engagement include:

- Leverage the strong network of AVPN in target markets:
 - *Family offices*: Raise awareness of GLI in family offices; attend conferences, convene events and publish case studies to stimulate investment into GLI directly and through funds;
 - *Immersion experiences*: Provide operational support to give HNWI individuals and key stakeholders real experience in meeting with potential investees (Investors Circle, Village Capital and Illumen Capital have all done this effectively) to make a personal connection and create buy-in.
- Co-partner with large, regional institutions that may be able to provide resources (funding and skilled human capital) through corporate social responsibility or other divisions. For example, Kohlberg Kravis Roberts & Co., HSBC, Standard Chartered, UBS are all active in socially responsible investing. Working with C2 would be a way for them to highlight what's going on in the region, to tell their own story...and it will potentially motivate them to do something;

- Provide operational expenses for regional expansion of initiatives in non-IW countries in Southeast Asia, such as Connecting Founders (Thailand) that provides strategic business support for women SMEs; (www.connectingfounders.com)
- Measuring the broader impact of GLI on investing ecosystem and economic livelihoods. Do not discount the catalytic effect of bringing about social change from within, that leads to interest from investors when that translates into financial benefit. One recent report that does this well in another industry was produced by IPSOS/USAID looking at the “ripple” effect of women’s access to water. (<https://www.ipsos.com/en-us/knowledge/society/women-water-ripple-effect>)

8 Conclusion

In conclusion, Phase 1 of Component 2 of the Investing in Women Initiative has been very successful. Through this work, IW and DFAT have played leadership roles in increasing capital flows to WSMEs and promoting gender lens investing. The accomplishments of Component 2 to date include, testing and refining a grant-based model to incentivise GLI by investment partners, facilitating an internal strengthening of GLI capacity by impact investing partners, animating an ecosystem-building process in the region and globally, and achieving early significant leverage on private-sector capital in Phase 1 by C2 and its partners. There is, therefore, a strong case for a Phase 2 of C2. This report has set out both general and detailed recommendations to inform the design and the activities of Phase 2 of the component. The outlook for continued success by C2 in demonstrating the business case for investing in WSMEs, and advancing women’s economic empowerment, in Southeast Asia is very positive.

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Annex B: Persons consulted

Department of Foreign Affairs and Trade

Trisha Gray, Assistant Director, Gender Technical Section, Gender Equality Branch

Stephanie Kimber, Assistant Director, innovationXchange

Kristy Graham, Lead, Private Sector Development and Investment, Development Finance Section

Jayne Harries, Policy Officer, Development Finance Section

Investing in Women Initiative

Julia Newton-Howes, Chief Executive Officer

James Soukamneuth, Director, Impact investing Partnerships

Jenny Clement, Lead, Monitoring, Evaluation and Learning

Marie Torres, Senior Impact Investing Manager

Kristie Maiden, Coordinator, Program Manager

Sanna Harri, Coordinator, Program Manager

Component 2 Partners-Direct Market Interventions

Small Enterprise Assistance Funds

Bob Webster, Managing Director

Jennifer Buckley, Managing Director

Patamar Capital

Shuyin Tang, Partner

Dondi Hananto, Partner

Capital for Development Partners

Mark Joenje, Chief Executive Officer

Root Capital

Elicia Carmichael, Vice President of Strategy

Rachel Serotta, Director, Investor Relations

Ernst and Young Australia

Jason Lowe, Partner

Senait Habtemariam, Associate Director, Capital and Debt Advisory

Component 2 Partners-Market Building

Criterion Institute

Joy Anderson, Founder and Chief Executive Officer

Kristen Yee, Senior Program Manager

Catalyst at Large

Suzanne Biegel, Founder

SheEO

Vicki Saunders, Founder

Value for Women

Rebecca Fries, Managing Director

Asian Venture Philanthropy Network

Caroline McLaughlin, Director, Partnerships

Ashima Suri, Operations Senior Manager

Global Impact Investing Network

Giselle Leung, Managing Director

Abhilash Mudaliar, Director of Research

Katrina Ngo, Senior Manager, Network Membership

GIIN GLI Advisory Committee

Heather Mae Kipnis, Entrepreneurship Lead, Gender Secretariat, International Finance Corporation

Leigh Moran, Director, Strategy, Calvert Impact Capital

Annex C: Theory of Change table

Evolving IW goal statement and C2 outcome statements, 2015-2018

	Design Document (2015)	Working TOC (2017)	Working TOC (2018)	Revised TOC (August 2018)
IW Goal	To contribute towards women's economic empowerment (WEE) to enable inclusive growth in Southeast Asia ¹	Women are more economically empowered	Women are more economically empowered	Women are more economically empowered through: <ul style="list-style-type: none"> • Women SMEs have grown • More women in the formal sector with more quality work opportunities • The enabling environment supports and promotes women's economic empowerment
EoPOs C2	Impact Investment in women's SMEs has increased	EoPO7 (7 years) <ul style="list-style-type: none"> • Market approach main-streamed for applying a gender lens to investment in WSMEs • Business expansion witnessed by WSMEs in broader impact investing ecosystems EoPO3 (3 years) <ul style="list-style-type: none"> • Business case for applying a gender lens to investing in WSMEs demonstrated for the broader impact investing ecosystem 	EoPO (2023) <ul style="list-style-type: none"> • Impact investments into women's SMEs significantly increase in Southeast Asia EoPO (2019) <ul style="list-style-type: none"> • An emerging business case for investing (with a gender lens) in women's SMEs is demonstrated to the Impact Investing market EoPO Intermediate Outcomes (2023) <ul style="list-style-type: none"> • Impact investors adapt their investment strategies to expand access to capital for women's SMEs EoPO Intermediate Outcomes (2019) <ul style="list-style-type: none"> • Women's SME investees of IW-supported impact investors improve their business performance, resulting in increased social impact and financial returns • IW-supported impact investors integrate gender lens approaches and/or women's SME-focused products/services into their core (non-IW-supported) business • IW-supported impact investors leverage additional investment capital for women's SMEs 	EoPh2 <ul style="list-style-type: none"> • Impact investments into WSMEs from diversified sources (including Asian Sources) are significantly increased in SE Asia • Impact investor ecosystem changes in investment processes and practices to facilitate investment into WSMEs Mid Ph2 Outcomes <ul style="list-style-type: none"> • WSME investees improve business performance resulting in increased social & financial returns & report increased personal gains (e.g. skills, confidence) • Impact investor partners integrate GLI principles into their broader portfolio & increase allocations to WSMEs • Broader impact investing market is convinced of business case(s), and invest in WSME & with a gender lens • Ecosystem partners effectively carrying forward a GLI agenda within their membership & networks EoPh1 Outcomes <ul style="list-style-type: none"> • Impact investor partners leverage additional investment capital for WSMEs & integrate GLI into their organisation & investment processes • Impact investor partners demonstrating & sharing business cases for investing with a gender lens into WSMEs • Successful investment facilitation models developed for further replication or scale up (by IW and/or others) • Ecosystem partners developing & sharing GLI tools and resources
Intermediate Outcomes	<ul style="list-style-type: none"> • More impact investors tailor products to women's SMEs • Women's SMEs are successfully utilising the tailored finance and support services 			

¹ WEE is defined as follows: "Economic empowerment is the capacity of women and men to participate in, contribute to and benefit from growth processes in ways which recognises the value of their contributions, respect their dignity and make it possible to negotiate a fairer distribution of the benefits of growth. Economic empowerment increases women's access to economic resources and opportunities including jobs, financial services, property and other productive assets, skills development and market information. Women's economic participation and empowerment are fundamental to strengthening women's rights and enabling women to have control over their lives and exert influence in society." *Source: Investing in Women, 2018*

Annex D: Additional background information

International Context

Some organizations have been working on the financing of women-owned and -led small and medium-sized enterprises (WSMEs) for many years. One of the most prominent has been the International Finance Corporation (IFC), whose investment, advisory services and research in this area globally and in Asia-Pacific has spanned more than a decade. The IFC is a founding member of the Global Impact Investing Network.

However, the issue of gender equality was mostly invisible in the first half of impact investing's first decade, which began in 2008. In 2014, that situation began to change, when the International Finance Corporation (IFC) partnered on a global scale with Goldman Sachs to launch the Women Entrepreneurs Opportunity Facility (WEOF); the fund recently reported \$1 billion in commitments. The same year, Root Capital, the non-profit impact fund applied a gender analysis to its entire portfolio and designed specialised programs for women owners and professionals.

By 2015, as the Millennium Development Goals period came to a close, and the Sustainable Development Goals (SDGs) were launched by the United Nations, most OECD-country development agencies had prioritised women's economic empowerment (WEE), backed up by the WEE working group of the Donor Committee for Enterprise Development (DCED) and animated by the British, American and European aid programs. At the same time, champions of gender lens investing (GLI), notably the Criterion Institute (CI), began to activate at forums such as the annual Social Capital Markets conference and published landscape studies on the field of GLI. In 2017, leaders at the G-20 Summit announced more than \$340 million from 14 governments in support of the Women Entrepreneurs Finance Initiative (WE-FI). In 2018, G-7 governments endorsed an initiative by a group of development finance institutions (DFIs) to catalyze USD \$3 billion, principally from private sources, to expand access to financing, enterprise support and leadership opportunities for women in developing countries.

In addition, thanks in large part to the support of Investing in Women, the New York City-based Global Impact Investing Network (GIIN) has formed a GLI working group. The Toniic network of high net-worth (HNW) investors provides a list of more than 30 investment products that promote SDG 5 on gender equality. For its part, the Global Steering Group for Impact Investment, a UK charity, will feature a plenary session on GLI at its international summit in Delhi later this year. And the World Economic Forum is tracking the global gender gap in leadership and wages around the world.

Regionally, the Asian Venture Philanthropy Network (AVPN) provides its members with a list of "shared deals", nearly 50 of which are aligned with SDG 5 and more than 120 are centred on women and girls more generally. The Network's 2018 conference in Seoul included a plenary session on accelerating women's empowerment.

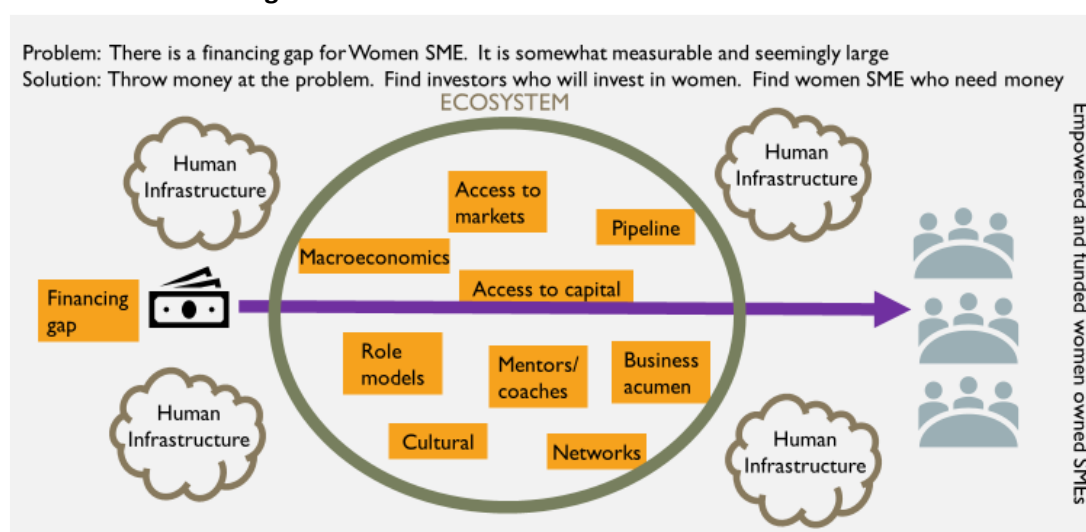
Finally, ImpactAlpha, an industry news service, regularly publishes stories on applications of GLI from around the world, including the work of Investing in Women. Overall, then, after a

sustained period of marginalization, the gender dimension of impact investing has gained profile and momentum in recent years, and IW has been integral to this process.

Still, such progress is no guarantee that impact investing in women's small and medium-sized enterprises (SMEs) will continue to grow. There are formidable threats to sustaining this momentum, particularly persistent gender discrimination in culture, law and finance; continued inattention to gender by some innovative-finance forums; the lack of a critical mass of local champions for gender lens investing; and incomplete evidence of the business case for investing in women-owned or women-led small and medium-sized enterprise. This backdrop underscores the importance of the ongoing and future work of Component 2 of Investing in Women.

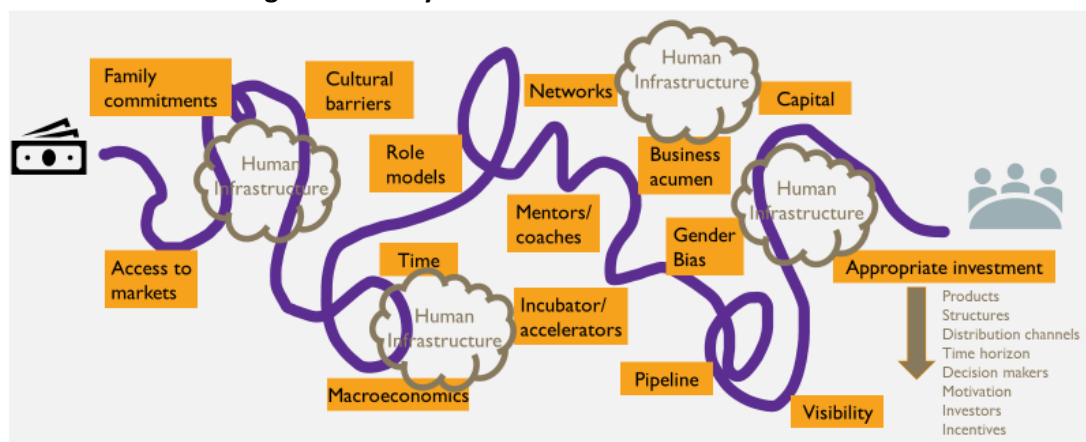
Barriers to promoting Gender Lens Investing

Gender Lens Investing: The Dream



Source: Athena Global Alliance, 2018

Gender Lens Investing: The Reality



Source: Athena Global Alliance, 2018

Lessons from Africa

Africa has made great progress in attracting impact investors, launching local private equity/venture capital funds and building a robust ecosystem to support SMEs and, increasingly, gender lens investing. There are several innovative initiatives that could be particularly useful for Phase 2 of C2 in Southeast Asia to consider, including:

- Make-IT in Africa initiative (GIZ sponsored) to promote investment and entrepreneurship in technology in Africa, through incubators/accelerators, networking events to link investors and entrepreneurs, and publishing entrepreneurial guides (Nigeria and Kenya) in conjunction with local private-sector partners and international organizations;
<https://make-it-initiative.org/africa/activities/guides-investment/>
- Local investment funds, many of which are for women and led by women, particularly:
 - Dazzle Angels: the first women-focused venture fund launching in South Africa;
 - Sobek Capital: the first Rwanda-only VC fund investing between \$10,000-\$250,000 in local SMEs;
 - DEMO Ventures/DEMO Africa: newly-closed \$100M fund investing between \$250,000-\$5M in African start-ups; DFI backed with private and institutional investors; countries of focus include Ghana, Nigeria, Kenya, South Africa, and Egypt. The CEO is a woman.
- The “Women in African Investment” WhatsApp Group started and managed by Elizabeth Howard of Lelapa (Africa Fund for micro and small cap SMEs) that acts as connector, directory, sounding board, networking tool for women fund managers and GLI in Africa.

Annex E: Stakeholder workshop

Introduction: On October 31, 2018 at UBS European Headquarters in London, prior to the [Gender-Smart Investing Summit](#), Investing in Women (IW) organized a workshop to gain additional input into the planning of Phase 2 of Component 2. The title of the event was: Impact Investing in Women's SMEs: Future Directions for South East Asia. After presenting a summary of their findings and recommendations, and dividing the 25 participants into three groups, the reviewers posed a set of discussion questions relating to pathways to scale and sustainability in C2 through, first, commercialization and, second, localization (see attachment).

Organizations represented: The organizations represented at the workshop included DFAT, IW, and several of Component 2's key partners, including: Small Enterprise Assistance Fund (SEAF), Criterion Institute, Catalyst at Large, Value for Women, SheEO and Ernst & Young (Australia). Development finance institutions represented included the IFC (Delhi) and OPIC. Other workshop participants represented the Global Innovation Fund, Alitheia Identity Fund, Challenger 88, CLinked, Enclude, Tiime and the UNCDF.

Commercialization: The discussion groups generated a number of relevant observations on commercialization. As a starting point, deals are perceived as useful entry points for embedding both gender outcome targets and commercial rates of return in the structuring of investments. This plays out across the various elements of the transaction lifecycle, including the investment thesis, pipeline development, due diligence and contractual obligations. Other important areas highlighted as critical to building the business case, independent of specific transactions, include: building the capacities of LPs, scaling existing funds, engaging DFIs, replicating what is working across geographies and industry segments, as well as using case studies and mobilizing data.

To what extent is there credible evidence that certain types of gender-lens investments can yield better than average returns or even standard market returns? Typically, commercially-oriented investors don't understand how to source GLI deals, nor how to modify their due diligence practices, build relationships or structure GLI deals in a way that is removed from unintentional gender bias and is, in fact, gender equitable. Donor agencies and foundations can play a leadership role in developing an effective methodology for successful gender lens investing in order to show proof of concept. When there is real evidence of both GLI outcomes and good financial returns, as is the case with IW, this should be publicized widely.

Exit matters. Investors in conventionally structured closed-end funds will sell their interest at some point. In order to find the optimal buyer, investment managers need to know, up-front, what the criteria for exit will be—to ensure that both fiduciary-responsibility and impact goals are met. One shared concern across the workshop discussion groups related to how to protect the integrity of the investee business post-exit. In addition, it was seen as critical for investors to be clear about pre-agreed pathways for sustainable social impact. In fact, two discussion groups raised the option of treating the removal of a CEO committed to gender equality as a default on the investment.

Localization: The localization theme also sparked productive discussion. An instructive example is that of IW partner Patamar, which has demonstrated success by deploying a strong, locally-staffed in-country team and partnering with a local business accelerator, Kinara, to build a quality pipeline and de-risk its investments.

Important and timely capital infusions and capacity building from Asia for increasing impact investing and GLI in the foundation sector were referenced in workshop discussions, including the work of the [Sasakawa Peace Foundation](#) with the Asia Venture Philanthropy Network, IIX, Ernst & Young and others. Further, increased advisory work on sustainable and impact investing with pension funds and other institutional investors, as well as venture capitalists, in Japan and Singapore was underscored as a priority in at least one discussion group.

Educating and coaching local LPs, GPs and angels on GLI are also key tasks in the localization process. As are creating, refining and new locally targeted products, like the gender bond under design by Ernst & Young. IW is well-positioned to ask questions of local funds and institutions regarding, among other things, the diversity of their boards and management and investment teams. There is also the imperative of collecting and analyzing country-specific data on GLI performance at the fund and investee levels. More generally, workshop participants stressed that there is still much for C2 and its partners to do in order to build an effective, self-sustaining ecosystem for gender lens investing in Asia.

Innovative New Tools: Looking ahead, local and international investors can benefit from innovative new tools in the GLI space. How DFIs' [2X Challenge](#) to mobilize \$3B for investment in women entrepreneurs by 2020 will be realized in Asia, and with which local partners, will be closely watched. Enabled by C2, and advised by the Criterion Institute, SEAF has launched a proprietary [gender equality scorecard](#) for rating prospective investee companies, while Patamar has created a new gender analysis tool for its deal team that considers the gender implications of the core elements of its investment thesis. The Criterion Institute itself has just published a [tool for designing a gender lens investing action plan](#), created with C2 support.

In addition, one new investment fund accessible to qualified investors has been launched as a result of C2's support. [SEAF's Women's Opportunity Fund for Southeast Asia](#) applies a gender lens to investments of between \$1M and \$2.5M in women-led businesses in the three C2 countries.

Conclusion: The workshop confirmed strong interest among current partners and other stakeholders in the methods, results and prospects of Component 2, while highlighting a core of highly capable constituents that wishes to accompany and collaborate with IW in its next phase of work. Workshop deliberations also confirmed that partners and other stakeholders continue to adapt their own strategies and tools as work with Investing in Women and on other fronts proceeds and as conditions in Southeast Asia evolve. It is clear that they can offer important value-addition to IW's design and implementation of Phase 2 of Component 2.

Edward Jackson and Kaylene Alvarez

December 3, 2018

CATALYTIC CAPITAL FOR WOMEN'S ECONOMIC EMPOWERMENT: IW C2 REVIEW REPORT PRESENTATION

EDWARD JACKSON, E.T. JACKSON & ASSOCIATES
KAYLENE ALVAREZ, ATHENA GLOBAL ALLIANCE
UBS, LONDON, 31 OCTOBER 2018

INVESTING IN WOMEN
SMART ECONOMICS
AN INITIATIVE OF THE AUSTRALIAN GOVERNMENT



Australian Government
Department of Foreign Affairs and Trade

PURPOSE OF REVIEW

- The objective of the assignment was to 1) review the Component and 2) make recommendations on the programmatic structure and approach of C2 to achieve the End of Program Outcomes (EoPOs) in Phase 2 of IW
- Involving interviews with some 30 key stakeholders and analysis of more than 100 documents, the review was carried out during July and August 2018
- The review fed into a wider Phase 2 design process for IW led jointly by the Initiative team and DFAT



C2 OVERVIEW

Direct Market Interventions

- Four impact investment partners (IIPs): SEAF, Patamar, Root Capital, C4D Partners
- \$300 M in capital to be raised for investment in WSMEs in three countries
- GLI action plans for each IIP at organization, portfolio and SE Asia levels

Market Building

- Global GLI ecosystem building through Criterion Institute/Consortium, GIIN research and GLI working group, support to Gender-Smart Investing Summit
- SE Asia: Regional workshops and networking (Catalyst at Large, SheEO, AVPN, other Consortium members), consultations with IW, DFAT

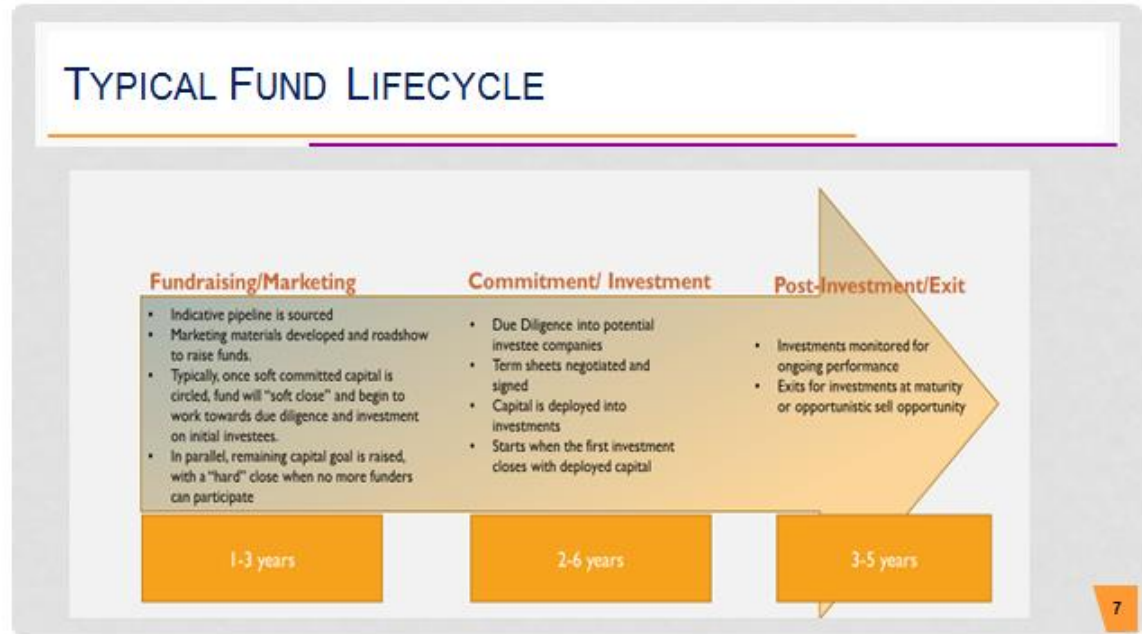
Leverage

- Two IIPs achieved 2:1 leveraging of co-investor private capital, mostly from Indonesia and Singapore

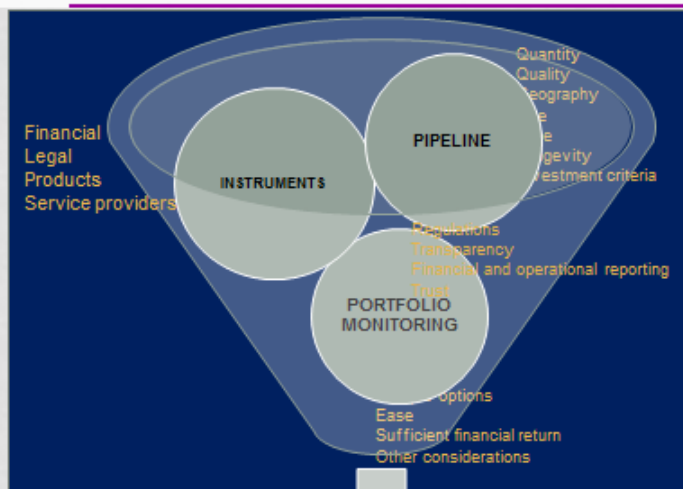
MEL

- IIP case studies, WSME case studies, and market building analysis





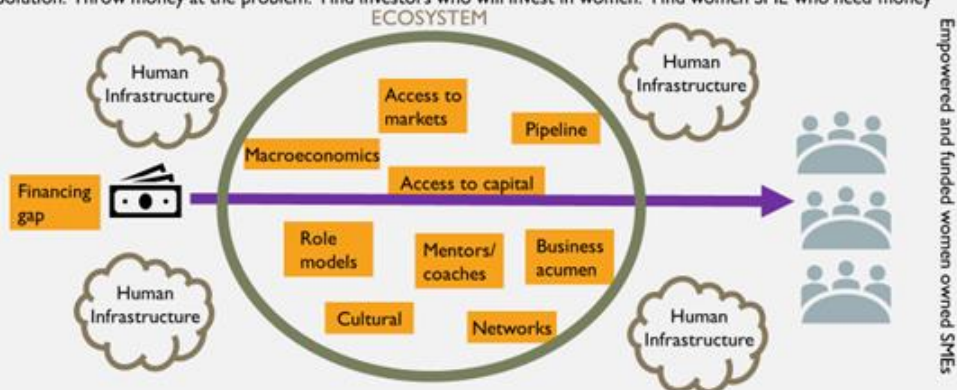
WHAT ARE COMMERCIAL INVESTORS LOOKING FOR?



9

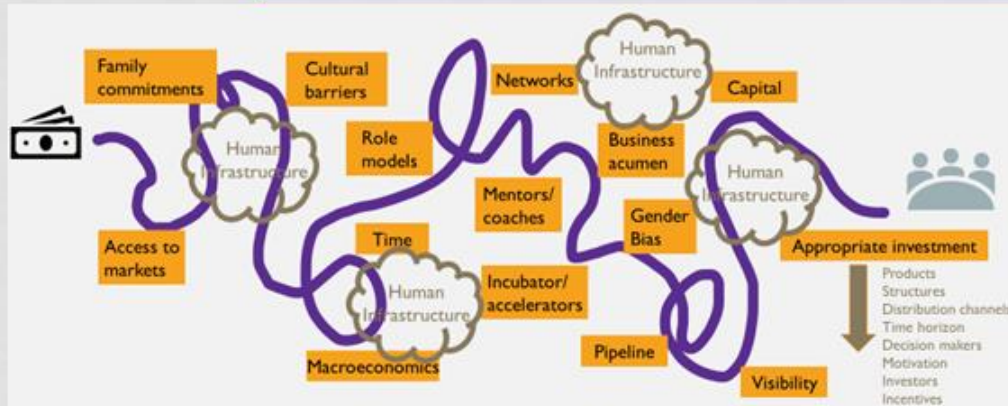
GLI INVESTING: THE DREAM

Problem: There is a financing gap for Women SME. It is somewhat measurable and seemingly large
 Solution: Throw money at the problem. Find investors who will invest in women. Find women SME who need money



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GLI INVESTING: THE REALITY



In order to get profit seeking money to flow, other barriers (real or imaginary) must be minimized

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IW C2: PRIORITIES FOR PHASE 2

Amplify

Achieve thought leadership through the production and dissemination of new knowledge products (e.g. case studies, tip sheets), particularly documenting and reinforcing the business case

Catalyze

Continue to mobilize catalytic capital and resources in 2 ways: direct market interventions, and ecosystem-building needed for sustainable GI

Lead

Maintain the focused GI definition of Investing in WSMEs while supporting the adaptations of IIPs and diverse perspectives in the broader ecosystem

As soon as possible in P2, begin work with funds and investees to address and define options for exit that provide optimal flexibility and clarity, and also answer key questions relating, financial and social returns at exit and the reputation and intention of potential buyers

Demonstrate

Build the business case using component successes to date to show early indications of commercial viability and learning

Build

Continue to create an enabling environment by leveraging strengths and experiences of all partners and advisors

Set an Example

Lead by example in human resource policies and GI reporting, to demonstrate the IW journey for partners, investees and supporters

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CONVERSATIONS: PATHWAYS TO SCALE AND SUSTAINABILITY 1

Commercialization

- What do commercial investors need to see in order to systematically do more GLI in Southeast Asia?
- What can donors do in the ecosystem to demonstrate and support the business case?
- What are the obstacles to commercialization?
- What should the criteria for exit be?

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CONVERSATIONS: PATHWAYS TO SCALE AND SUSTAINABILITY 2

Localization

- Which investors in SE Asia/Asia should be engaged?
- What should a locally-led ecosystem look like?
- What are the obstacles to localization?
- What has worked elsewhere in building locally-led ecosystems?