

**Widening the Lens, Looking Further Ahead  
Options for Australian Support of Gender Lens  
Investing Post-Investing in Women**

***Discussion Paper***

by

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for

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The opinions expressed in this paper are those of the author and do not reflect  
the views of the Australian Government

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## Acronyms

|        |   |
|--------|---|
| AI     | Artificial intelligence                                 |
| AUD    | Australian dollar                                       |
| AUM    | Assets under management                                 |
| DFAT   | Department of Foreign Affairs and Trade                 |
| DFI    | Development finance institution                         |
| EIB    | European Investment Bank                                |
| ESCAP  | Economic and Social Commission for Asia and the Pacific |
| ESG    | Environmental, social and governance                    |
| EMIIIF | Emerging Markets Impact Investment Fund                 |
| FMO    | Dutch development bank                                  |
| GDI    | Gender Development Index                                |
| GGGR   | Global Gender Gap Report                                |
| GLI    | Gender lens investing                                   |
| GDP    | Gross Domestic Product                                  |
| GRI    | Global Reporting Initiative                             |
| HDR    | Human Development Report                                |
| HNWI   | High net-worth individual                               |
| IFU    | Danish development finance institution                  |
| ILO    | International Labour Organization                       |
| IMM    | Impact management and measurement                       |
| IW     | Investing in Women                                      |
| IIX    | Impact Investment Exchange                              |
| IRIS+  | Impact Reporting and Investment Standards Plus          |
| MEL    | Monitoring, evaluation, and learning                    |
| MTR    | Mid-Term Review   |
| OECD   | Organization for Economic Co-operation and Development  |
| P2     | Outcome Pathway 2 of Investing in Women                 |
| PBU    | Pædagogernes Pension                                    |
| PE     | Private equity  |
| SASB   | Sustainability Accounting Standards Board               |
| SDG    | Sustainable Development Goal                            |
| SGX    | Singapore Exchange                                      |
| SME    | Small and medium-sized enterprise                       |
| STEM   | Science, technology, engineering and medicine           |
| SWEEF  | Southeast Asia Women’s Economic Empowerment Fund        |
| SWF    | Sovereign wealth fund                                   |
| TOC    | Theory of change  |
| UN     | United Nations  |
| UNDP   | United Nations Development Program                      |
| UNPRI  | United Nations Principles for Responsible Investment    |
| USAID  | United States Agency for International Development      |
| USD    | United States dollar                                    |
| USDFC  | United States Development Finance Corporation           |
| WEE    | Women’s economic empowerment                            |
| WEF    | World Economic Forum                                    |
| WSME   | Women’s small and medium-sized enterprise               |

## 1 Introduction

### 1.1 Background

Investing in Women (IW) is a seven-year, \$102 million (AUD) initiative that started in April 2016 and will end in June 2023. Phase one of Investing in Women was reviewed in 2018 and the design refreshed for a second phase. The design for the current phase (2019-2023) can be found on the Investing in Women website. The Department of Foreign Affairs and Trade (DFAT) is currently reviewing progress of Investing in Women since the start of its second phase (in July 2019) to consider options to improve implementation in the final two years of the program and determine the rationale and options for a potential new women's economic empowerment program post-June 2023.<sup>1</sup>

Pathway 2 (P2), IW's largest component, is focused on advancing women's economic empowerment (WEE) by increasing access to capital for women-owned/-led small and medium-sized enterprises (WSMEs) through gender lens investing in WSMEs in Indonesia, the Philippines and Vietnam. The P2 team negotiates and monitors long-term, accountable grants provided to impact investment partners, both from outside the region and within it, to mobilize new private capital which is then allocated to promising WSMEs to fuel their growth. P2 engages specialized expertise to enable the investment partners to build their own gender lens investing (GLI) plans and capacities. P2 also works with leading networks to build the global ecosystem for gender lens investing.

In July 2021, DFAT received the report of the mid-term review (MTR) of Phase 2, the current phase, of Pathway 2. Overall, the report found that the second phase of P2 has been successful and that consideration by DFAT of a follow-on program is merited. To this end, the MTR report presented four recommendations for the design of a follow-on program that would be similar in scope to the current phase of P2. The report also presented seven recommendations for the design of a follow-on program with an expanded scope.

### 1.2 Purpose and Approach

The purpose of the present discussion paper is two-fold:

- 1) To comment on findings from the IW P2 MTR for future recommendations on appropriate catalytic use of grant funding for WEE with regard to the GLI ecosystem already built by IW P2 in Southeast Asia and efforts to consolidate and grow the GLI ecosystem in the region.
- 2) To provide any further recommendations for future funding that would: enhance the sustainability of this ecosystem; offer catalytic and appropriate use of grant funds; complement the activities of other significant players in the region; and consider the appropriateness of further geographic expansion.

The approach taken in developing this discussion paper involved calls with representatives of DFAT and the P2 team; detailed analysis of Sagana's report of the mid-term review of Phase 2 of Pathway 2 and of a slide deck of lessons learned for the follow-on program prepared by the P2 team; together with a broader review of literature and programming on a range of relevant longer term strategic and programming issues in the Asia-Pacific region. The discussion paper thus seeks to widen the analytic lens and look further ahead in considering the actors, factors and trends, and barriers and opportunities, for a follow-on program. In so doing, the issues and insights presented here may potentially be of interest and relevance to DFAT's other blended-finance activities beyond its GLI work per se.

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<sup>1</sup> R. Papp, A. Aslam and A. Kozłowska, Investing in Women Pathway 2: Mid-Term Review, Sagana, July 12, 2021

## 2 Recommendations Under Consideration

### 2.1 Recommendations Arising from the Mid-Term Review of Pathway 2

***The report of the mid-term review of Phase 2 of Pathway 2 of Investing in Women constitutes a systematic and insightful performance assessment.*** Overall, Sagana found that: “While the program is not yet complete, all early indicators suggest that Pathway 2 is expected to successfully achieve its end-of-program outcomes and, in the process, create a strong evidence base for gender lens investing overall. The number and proportion of GLI deals in the region are continuing to rise...The success of Pathway 2 partners, the GLI tools created by them, and the advocacy work led by market-building partners have all contributed to this growth.”<sup>2</sup>

Among other insights, the MTR analysis usefully distinguishes between fast-growth and normal growth WSMEs, which carries implications for the design of future programming. The report is also helpful in emphasizing the importance of market-based performance metrics like revenue growth and profitability for investee firms, partner portfolios, and the P2 portfolio as a whole.

***The report provides sound and practical recommendations for the final two years of the current phase.*** These recommendations include making no changes to the investment partnership structure; ensuring the continuation of results ahead of program closure; shifting focus towards market-based success outcomes; changing mindsets around the barriers faced by women entrepreneurs; continuing to collaborate with the Emerging Markets Impact Investment Fund (EMIIF); launching the GLI fellowship; and understanding the need for fundraising support, especially for less experienced partners. With recovery from the pandemic constrained by new variants and cases, working closely with investors in the ecosystem to unlock new capital for GLI must be, and is, a priority for the P2 team.

***Based on the success of IW’s impact investing component, the report strongly and appropriately endorses that a follow-on project be supported by DFAT, whose ongoing leadership in GLI in the region remains crucial.*** Indeed, Sagana concludes that: “Investing in Women’s Pathway 2 has successfully seeded and built the gender lens investing ecosystem in Southeast Asia from scratch. They have deployed capital into WSMEs and built the capacity of impact funds to source, invest in and support the growth of WSMEs. The program’s success has created a solid foundation that provides Australia and DFAT with a unique opportunity to successfully demonstrate the business case of gender lens investing and to take women’s economic empowerment to the next level in Southeast Asia. But it is critical that DFAT continues to sponsor this field, as there is still much work to be done to mainstream GLI. A program like Investing in Women is uniquely positioned to continue this work.”

***The report’s recommendations are based on the assumption that women’s economic empowerment should be the ultimate outcome of any follow-on project.*** From the start of IW’s impact investment component, there has been a broad consensus among all key stakeholders—the P2 team, its investment partners, and DFAT—that gender lens investing is a means to an end, a tool, to increase women’s economic empowerment (WEE) in Southeast Asia. In increasing women entrepreneurs’ access to capital, P2 empowers the owners and leaders of WSMEs. In Sagana’s recommendations, WEE is central to the design of two scenarios: one for a project similar in scope to the current one and a second scenario for a project with expanded scope.

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<sup>2</sup> R. Papp et al, MTR Report, pp, 4-5

***The report's recommendations also prioritize a follow-on project broadening and deepening its partnerships with investors and investees in the region.*** The Sagana team recommends that the new program expand its work with angel investors and other non-impact investors. It should also, Sagana argues, work with its investment partners to go beyond WSMEs by investing in larger companies that have a disproportionate number of women employees in their own operations and/or in their supply chains as well as companies whose products benefit the quality of life of women and girls. Such firms may or may not be women-led or women-owned.

### **2.1.1 Recommendations to Maximize the Impact of a Successor Program on Women's Economic Empowerment Using a Similar Scope**

For this scenario, Sagana advances four specific recommendations. In its view, the new project should:

- 1) Distinguish and tailor support for fast-growth and normal-growth WSMEs.** While it should continue to support investment in fast-growth companies, P2 has in Phase 2 supported funds that work with "normal-growth" firms in a customized way. Thus, a "successor IW program could build on its learnings from these innovative models and further seek to understand the needs of normal-growth WSMEs. The program could ensure these WSMEs can access capital throughout their growth cycle and it could continue to pilot new approaches and perfect these investment vehicles to fill this critical funding gap" (p.31-32).
- 2) Work with capital-connected incubators and accelerators to support WSMEs.** Drawing on the successful experience of the incubator model piloted by Patamar and Kinara in Indonesia in Phase 1 of P2, and considering the crucial need for WSME investment readiness to successfully receive and utilize new capital, Sagana recommends that a follow-on project step up the component's efforts on the demand side of GLI capital as well as the supply side.
- 3) Partner with more angel investors.** As Sagana argues: "During Phase 2 of the program, Pathway 2 successfully partnered with MAIN in the Philippines. Working with angel investing networks serves a dual purpose for Pathway 2: first, it allows them to support smaller and earlier-stage WSMEs, creating a solid pipeline for larger GLI investors in the region; second, it allows them to increase the number of women angel investors in these networks."
- 4) Change mindsets around barriers faced by women entrepreneurs.** Report notes that: "The program could create guidance for capital allocators to address the most common gender-specific barriers like the perceived pregnancy risk, different ways in which women entrepreneurs present themselves and their business, and the perceived lack of female investment talent to fill senior investment roles." This new programming activity could be led by an external partner or a group of P2's investment partners and, on advocacy, its ecosystem partners.

### **2.1.2 Recommendations to Expand the Scope of the Future Program**

The MTR report also presents seven recommendations for a future program that is expanded in scope. To this end, Sagana proposes, the new project should:

- 1) Leverage EMIIF to bridge the funding gap at larger investment sizes.** "In the long term, for a typical venture fund to be financially sustainable, it needs to attain minimum assets under management (AUM) of over AUD 200M (USD 150M)," observes the report, also noting that development finance institutions (DFIs) have not invested heavily in Southeast Asia to enable medium-sized funds to scale up to this threshold, resulting in a funding gap in the region.

“Pathway 2 should work with EMIIIF to bridge that gap and think of other ways to help first-time GLI fund managers get through the gap and reach scale to be financially sustainable.”

- 2) **DFAT could take a more prominent convening role in the regional GLI ecosystem, and join the 2X Collaborative.** “DFAT should ensure that all DFI capital invested in the region is invested with a gender lens,” states the report. In addition to joining the 2X Collaborative, writes Sagana, “DFAT should also fund a position within the next WEE program to champion and coordinate GLI among private market investors in the region.”
- 3) **Expand the definition of gender lens investing.** “The future program should continue to support the financing needs of WSMEs but should systematically and intentionally introduce additional gender lenses into the program,” the report contends, including businesses with a disproportionately large number of women in their supply chains, or that make products that benefit women and girls, or that have significant women leadership in their ranks.
- 4) **Dedicate support to priority sectors.** Sagana also makes a case for part of the new program to focus on a small number of economic sectors that would generate strong WEE impacts and robust business cases, such as the care economy, agriculture, healthcare, clean energy, and waste management.
- 5) **Focus on local capital and players but engage beyond impact investors.** The report argues for broadening the range of investment actors engaged by an expanded program. Citing new major gender-oriented investment funds in Singapore, Sagana poses the following questions: “what is considered local capital, where is it, and how can the future WEE program reach out to existing and new funds to help them include a gender lens?”
- 6) **Create a program designed to increase the number of women in capital-allocating roles.** Taking serious action to redress the gender inequalities in the investment industry, an expanded program could require its investment partners to field gender-balanced teams, provide guidance to other investors in the region on how to diversify their professional capabilities, and offer training and coaching to first-time women fund managers.
- 7) **Potentially expanding into new countries.** In addition to taking GLI to the next level in its three core countries, which are the largest nations in Southeast Asia, in an expanded program, Sagana suggests that Pathway 2 could also deliver a lighter version of the component to Cambodia, Laos, and elsewhere. (Note that DFAT has determined that the new WEE program will operate in Southeast Asia only and not in the Pacific Islands or South Asia).

## 2.2 Lessons Learned and Key Take-Aways from the P2 Team

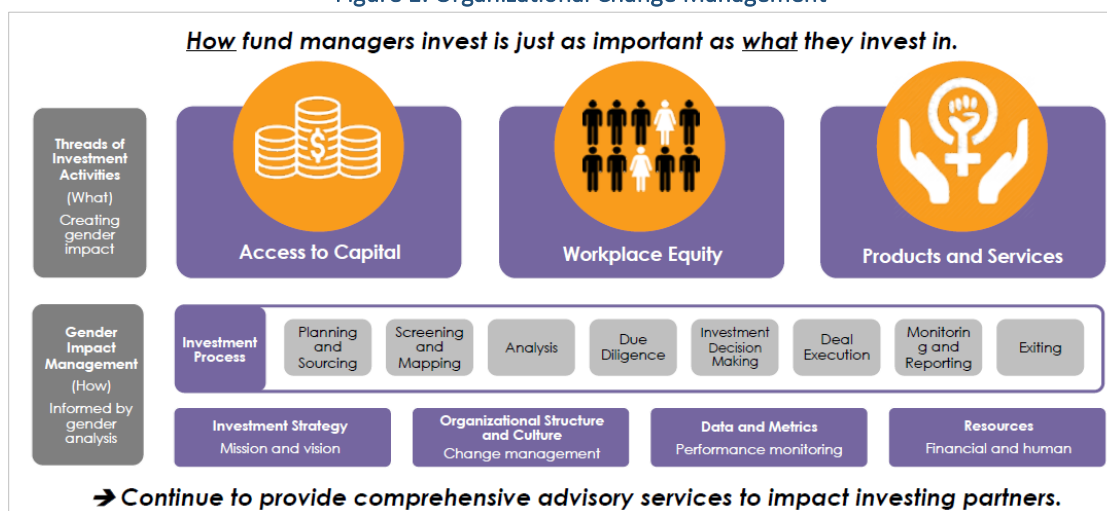
Investing in Women’s Pathway 2 team has produced a comprehensive slide deck of lessons learned and key take-aways derived from the P2 component’s implementation experience to date.<sup>3</sup> Along with the MTR report, this compendium of ideas and insights also constitutes a valuable contribution to evolving thinking on what a follow-on program to IW could look like. The P2 team conceptualizes the new program as a “platform to invest for gender outcomes,” building on P2’s “Capital+” model and seeking to deepen its gains and widen its reach. While the deck examines 16 areas, the following directions advanced by the P2 team are particularly noteworthy:

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<sup>3</sup> J. Soukamneuth, P. Maheshwari and M. Torres, Outcome Pathway 2: Lessons Learned and Key Take-Aways, Investing in Women, Makati, July 27, 2021

- 1) In terms of **organizational change management**, “how fund managers invest is just as important as what they invest in,” observes the P2 team. This is at the heart of the P2 model. Accordingly, the follow-on program should continue “to provide comprehensive advisory services to impact investment partners.”

Figure 1: Organizational Change Management



Source: Soukamneuth et al, 2021

- 2) Recognizing the need to move beyond traditional capital markets, the P2 team proposes that the follow-on program test a **diversity of products and collaborations** through: “Trial partnerships with organizations offering more financing options, tailored products/services, flexible terms/conditions, and cost of capital that properly captures their risk/return profiles.” Such partnerships could involve, for example, angel investing networks, results-based financing, localized fund managers, Australian fund managers, women investing in women, gender bonds, and “capital after readiness.”
- 3) To address the **limited presence of local investors** in GLI in Southeast Asia, the P2 team suggests that the new program “structure blended finance grants for local and regional capital providers looking to move impact investment capital with a gender lens” while also supporting the professionalization of GLI in Asian philanthropy, working closely with high net-worth individuals (HNWIs), and engaging with investors in this segment in conjunction with Toniic and other relevant actors.
- 4) In addition, the follow-on program should, the P2 team maintains, support a vibrant **community of practice** of GLI investors and other ecosystem actors.
- 5) At the same time, for the P2 team, the platform for gender outcomes should be designed to achieve **synergies with EMIIF**, where the new program would work with the wider capital markets in the region to mobilize investments in higher risk, early-stage WSMEs and use a targeted approach to mainstream gender and build the GLI ecosystem. For its part, the Fund, which is a fund of funds, would work with its investee funds to focus on larger, later stage SMEs and take an integrated approach to mainstreaming gender in its investments in funds in the region.



- 6) Finally, more generally, the P2 team views the design of the follow-on program as an expression of a “**generational agenda for gender equality**” to “maintain progress in women’s economic empowerment” in the Southeast Asia region, understanding that the specific mandates and tools, and the allocated resources, of programs and projects should and can contribute to the longer-term struggle for equality and opportunity for women.

### 3 Assessment of Recommendations

#### 3.1 Overview

Overall, the report of the mid-term review of Pathway 2 presents a strong set of recommendations for both a similar-scope follow-on program and an expanded-scope initiative. The recommendations advanced by the P2 team’s deck are also relevant and appropriate. Combined, these two sets of directions forward help outline the main contours of a follow-on intervention that builds on the experience and strength of the first two phases of IW’s impact investment work, consolidating and deepening its gains and widening its reach. Among other features, for example, both documents propose that the follow-on program work with new regional and local investment partners, such as angel investors, and take serious steps to build the capacities of women finance and investment professionals in the region.

At the same time, however, there are some key actors, factors and trends that are missing in the analysis underlying these recommendations. Part of the reason for this is that the parties were focused on projecting their recommendations toward a short-to-medium time horizon. That is, as they were expected to do, they developed recommendations intended for implementation from 2023 through an implementation cycle of perhaps three to five years, perhaps seven at the most. In contrast, another approach is to widen the lens for the underlying analysis even further and extend the time horizon, analytically, to the length of a generation, say 25-30 years. Then, especially at the levels of context and strategy, other important levers for and barriers to achieving sustainable and significant WEE impacts become more visible. And, thus rendered more visible, they can be integrated into the planning of the new program. The next section discusses some of these factors.

#### 3.2 Strategic Factors

- 1) **Updating the theory of change for women’s economic empowerment.** In its first two phases, P2 has resolutely maintained, correctly and to very positive effect, a laser focus on the owners and leaders of WSMEs—women entrepreneurs—as the pivotal stakeholders in P2’s theory of change (TOC). Working with P2’s impact investment partners—the second key stakeholder group in the TOC—investee women entrepreneurs are economically empowered and themselves generate WEE results among employees and suppliers and their households. However, the recommendations under consideration here propose that new stakeholders on the investment, or capital-supply, side be engaged by the new program, including more angel investors and HNWI, and that larger companies that are gender-responsive or gender-relevant, but not necessarily owned or led by women, be considered as potential investees. Thus, on several counts, the TOC for a new program will need to incorporate these new approaches.

Moreover, at a more strategic level, other agencies in the region working to advance WEE different but complementary theories of change by concentrating on, for example, labour-market policy and skills-training programs, or strengthening rights-seeking organizations to advocate for more favourable land-ownership and other legal rights for women and also to

reduce gender-based violence. Any new follow-on program to P2 should align its efforts with these and other organizations working in the WEE space, ensure there is no duplication across interventions, and explore possible options for collaboration.

- 2) Resetting the baseline for country-level progress on gender equality.** The Gender Development Index (GDI) for the world is published annually as part of United Nations Development Program’s (UNDP) Human Development Report. Measuring equality rather than empowerment, the GDI is calculated from national statistics, disaggregated by sex, for life expectancy at birth, expected years of schooling, mean years of schooling, and estimated gross national income per capita.<sup>4</sup> Twenty-five years after the global Beijing Call to Action for gender equality, progress in the Asia-Pacific region has been uneven.<sup>5</sup> As Table 1 shows, 30 countries across the region occupy a very wide range of positions in the most recent global GDI ranking, from high-performing Australia (8<sup>th</sup> place) and Singapore (11<sup>th</sup> place) to very low-performing Cambodia (144<sup>th</sup> place) and Myanmar (147<sup>th</sup> place).

Table 1: GDI Rankings of Select Asia – Pacific Countries, 2020

| Country             | GDI Ranking | Country             | GDI Ranking |
|---------------------|-------------|---------------------|-------------|
| 1 Australia         | 8           | 16 Vietnam          | 117         |
| 2 Singapore         | 11          | 17 Bhutan           | 129         |
| 3 New Zealand       | 14          | 18 India            | 131         |
| 4 Japan             | 19          | 19 Bangladesh       | 133         |
| 5 Korea             | 23          | 20 Kiribati         | 134         |
| 6 Palau             | 50          | 21 Micronesia       | 136         |
| 7 Malaysia          | 62          | 22 Laos             | 137         |
| 8 Sri Lanka         | 72          | 23 Vanuatu          | 140         |
| 9 Thailand          | 79          | 24 Timor-Leste      | 141         |
| 10 China            | 85          | 25 Nepal            | 142         |
| 11 Fiji             | 93          | 26 Cambodia         | 144         |
| 12 Tonga            | 104         | 27 Myanmar          | 147         |
| 13 Indonesia        | 107         | 28 Solomon Islands  | 151         |
| 14 Samoa            | 111         | 29 Pakistan         | 154         |
| 15 Marshall Islands | 117         | 30 Papua New Guinea | 155         |

Source: UNDP, 2020

The World Economic Forum (WEF) has developed a more economics-oriented index to measure the gender gap at the country level, publishing an annual report entitled the Global Gender Gap Report (GGGR).<sup>6</sup> This approach compares metrics for women and men across four sub-indexes: economic participation and opportunity; educational attainment; health and survival; and political empowerment. The WEF methodology draws on information from public opinion polls and social media and has an emphasis on women’s participation in the professions and as senior managers in the economy. As Table 2 shows, the WEF approach results in quite a different set of rankings of national level progress on gender equality for 20 countries in East Asia and the

<sup>4</sup> See UNDP, Human Development Report 2020, New York, 2021

<http://hdr.undp.org/sites/default/files/hdr2020.pdf>

<sup>5</sup> ESCAP, Asia-Pacific Report on Beijing+20 Review, 2015 <https://www.unescap.org/publications/asia-pacific-report-beijing20-review>

<sup>6</sup> See World Economic Forum, The Global Gender Gap Report, Geneva, 2021

[http://www3.weforum.org/docs/WEF\\_GGGR\\_2021.pdf](http://www3.weforum.org/docs/WEF_GGGR_2021.pdf)

Pacific. For this combination of metrics, several Southeast Asian countries—notably, Philippines, Laos, Singapore, Thailand, Vietnam, and Indonesia—show good performance.

Table 2: Global Gender Gap Rankings for East Asia and the Pacific

| Country     | Ranking  |        | Score | Country          | Ranking  |        | Score |
|-------------|----------|--------|-------|------------------|----------|--------|-------|
|             | Regional | Global |       |                  | Regional | Global |       |
| New Zealand | 1        | 4      | 0.840 | South Korea      | 11       | 101    | 0.687 |
| Philippines | 2        | 17     | 0.784 | Cambodia         | 12       | 103    | 0.684 |
| Laos        | 3        | 37     | 0.750 | China            | 13       | 104    | 0.682 |
| Australia   | 4        | 53     | 0.731 | Myanmar          | 14       | 109    | 0.681 |
| Singapore   | 5        | 58     | 0.727 | Brunei           | 15       | 111    | 0.678 |
| Timor-Leste | 6        | 64     | 0.720 | Malaysia         | 16       | 112    | 0.676 |
| Mongolia    | 7        | 69     | 0.716 | Fiji             | 17       | 113    | 0.674 |
| Thailand    | 8        | 80     | 0.710 | Japan            | 18       | 119    | 0.656 |
| Viet Nam    | 9        | 87     | 0.701 | Papua New Guinea | 19       | 139    | 0.635 |
| Indonesia   | 10       | 99     | 0.688 | Vanuatu          | 20       | 141    | 0.625 |

Source: World Economic Forum, 2021

Notwithstanding the value of these indices, there is currently no worldwide measurement system for women’s economic *empowerment*. To develop one would be an ambitious and complex project. However, if it so chooses, Australia is well-positioned to work with other partners, especially perhaps members of the 2X Collaborative, to animate such a project. In any case, all GLI-for-WEE interventions, including IW’s P2 and its follow-on program, should assess their own performance against relevant country-level indicators. Such an effort will require rigorous analysis of theory of change and of intervention contribution to understand in detail the points of leverage and influence, and of the limitations, of such programs—and the need for all interventions aimed at increasing WEE in Southeast Asia, including those involving GLI, to coordinate their efforts and track, learn from and continuously improve their *collective impact*.

- 3) Planning with a longer time horizon.** Patriarchy and misogyny are resilient and adaptive. Thus, the struggle for gender equality must be permanent and multigenerational, both strategically and operationally. When a longer time horizon is applied, two important macro-contextual factors arise: First, China’s growing economic capacity will profoundly shape markets and politics in the Asia-Pacific region, and Southeast Asia more specifically, in the longer-term;<sup>7</sup> China already accounts for more than half of Asia’s Gross Domestic Product (GDP).<sup>8</sup> Table 3 shows current economic capability rankings calculated by the Lowy Institute for 26 Asian countries. Over the next quarter-century and beyond, the United States and China will continue to vie for economic influence in Asia as a whole and in Southeast Asia in particular.<sup>9</sup>

<sup>7</sup> The Lowy Institute’s power ratings on economic capability (defined as “economic size and attributes with the most geopolitical relevance”) in Asia show China in the lead with the US close behind it. See Lowy Institute, Power Rankings, 2021 <https://power.lowyinstitute.org/>

<sup>8</sup> R. Doshi, Introduction to The Long Game: China’s Grand Strategy to Displace American Order, Oxford University Press, 2021, also published on the Brookings Institution site, 2021 [https://www.brookings.edu/essay/the-long-game-chinas-grand-strategy-to-displace-american-order/?utm\\_campaign=Brookings%20Brief&utm\\_medium=email&utm\\_content=147471311&utm\\_source=hs\\_email](https://www.brookings.edu/essay/the-long-game-chinas-grand-strategy-to-displace-american-order/?utm_campaign=Brookings%20Brief&utm_medium=email&utm_content=147471311&utm_source=hs_email)

<sup>9</sup> R. Doshi, *ibid.*

Table 3: Economic Capability Rankings of Asian Countries

| Rank | Country       | Score | Rank | Country          | Score |
|------|---------------|-------|------|------------------|-------|
| 1    | China         | 92.3  | 14   | Philippines      | 6.7   |
| 2    | United States | 87.7  | 15   | New Zealand      | 6.5   |
| 3    | Japan         | 32.1  | 16   | Bangladesh       | 4.1   |
| 4    | India         | 25.3  | 17   | Pakistan         | 3.5   |
| 5    | South Korea   | 19.1  | 18   | Brunei           | 3.4   |
| 6    | Russia        | 17.0  | 19   | North Korea      | 2.7   |
| 7    | Singapore     | 16.4  | 20   | Sri Lanka        | 2.4   |
| 8    | Taiwan        | 13.5  | 21   | Mongolia         | 1.9   |
| 9    | Australia     | 13.0  | 22   | Myanmar          | 1.7   |
| 10   | Indonesia     | 9.4   | 23   | Nepal            | 1.6   |
| 11   | Malaysia      | 9.0   | 24   | Laos             | 0.9   |
| 12   | Thailand      | 8.9   | 25   | Papua New Guinea | 0.5   |
| 13   | Vietnam       | 7.2   | 26   | Cambodia         | 0.4   |

Source: Lowy Institute, 2021

Second, as a recent McKinsey study shows, the negative impacts of climate change will be felt especially severely in the region, with its large number of coastal cities and high degree of urbanization, and particularly among Southeast Asian countries with lower levels of per capita GDP.<sup>10</sup> With the expected dramatic depletion of natural capital and serious risks to infrastructure and supply chains from major climate impacts, the region will require: “Measures to protect people and assets [that] include hardening assets such as reinforcing or elevating physical assets and infrastructure, building green defenses such as restoring natural defenses like wetlands and ecosystems, and building gray defenses that reduce the severity or duration of climate events such as disaster relief community shelters.”<sup>11</sup>

How will such contextual factors affect efforts to grow gender lens investing to advance women’s economic empowerment in Southeast Asia? For one thing, program-level interventions must possess the analytic capacity to anticipate, navigate and address barriers and opportunities to their work triggered by these macro-level trends. For another, successive cohorts of entrepreneurs, investors and professionals must be supported, through incentives, training, and coaching, to likewise be able to anticipate, navigate and act in this complex, rapidly changing context.

Finally, while IW’s natural allies in this broader environment are western-aligned DFIs and donor agencies (including Japan and South Korea), UN agencies, and regional and local private, philanthropic and impact investors, and these alliances should be purposefully strengthened through programming cooperation, efforts will need to be made to negotiate new forms of cooperation with Chinese actors, as well. Areas where positive links could potentially be made are that of clean energy<sup>12</sup>, waste management, water supply and mass transit, all priorities for China. Exploring and promoting the role of women as investors, suppliers, professionals,

<sup>10</sup> McKinsey Global Institute, Climate Risk and Response in Asia, 2020 <https://www.mckinsey.com/business-functions/sustainability/our-insights/climate-risk-and-response-in-asia>

<sup>11</sup> J. Conca, Why Climate Change Hits Asia Hardest, Forbes November 30, 2020 <https://www.forbes.com/sites/jamesconca/2020/11/30/climate-change-hits-asia-hardest/?sh=208f84ff30aa>

<sup>12</sup> See, for example, D. Chiu, The East is Green: China’s Global Leadership in Renewable Energy, Center for Strategic Studies, Washington, DC, 2017 [https://csis-website-prod.s3.amazonaws.com/s3fs-public/171011\\_chiu\\_china\\_Solar.pdf?i70f0uep\\_pGOS3iWhvwU1BNigJMcYJvX;](https://csis-website-prod.s3.amazonaws.com/s3fs-public/171011_chiu_china_Solar.pdf?i70f0uep_pGOS3iWhvwU1BNigJMcYJvX;)

technicians, and operators of enterprises in these sectors, public or private, could be integrated into the work of the follow-on program.

- 4) Responding to growing demand for climate finance for green infrastructure.** Asia's acute vulnerability to the effects of climate change is already driving the rapid growth of the "E" in ESG investing in Singapore and to a lesser extent Hong Kong, not to mention in Delhi and Shanghai. Signaling the importance it attaches to sustainability, the Singapore Exchange plans to launch an ambitious carbon-offset trading exchange.<sup>13</sup> The Singapore Exchange (SGX) also offers an information hub to investors on Asian ESG fixed income securities, including green bonds, social bonds, sustainability bonds, and sustainability-linked bonds.<sup>14</sup> The proceeds of these securities are invested in companies and projects specializing in renewable energy, waste management, clean water systems, green buildings, and more. One of SGX's listed social-bond products is the USD 150M series of Women's Livelihood Bonds issued by IIX Global, also based in Singapore.<sup>15</sup>

At the same time, other major players are stepping forward on the equity side. Earlier this year, Temasek, Singapore's sovereign wealth fund, and leading asset manager BlackRock announced their joint commitment of USD 600M to Decarbonization Partners. This initiative will mobilize capital for a series of early-growth private equity and late-stage venture funds that will invest in companies driving the transition to a net-zero economy. Seeking to define climate solutions as a stand-alone asset class, the partnership plans to raise USD 1B for its first fund.<sup>16</sup>

Champions of GLI for WEE could engage with both the investors in this space and their investee firms to apply GLI principles and criteria to climate finance for mitigation, adaptation, and resilience. In terms of green infrastructure projects, two signatories to the UN Principles for Responsible Investment,<sup>17</sup> Australian construction-industry pension fund Cbus Super<sup>18</sup> and Thailand-based Constant Energy,<sup>19</sup> a solar power developer and producer, may be examples of potential partners in this regard. Other Australian partner institutions could be identified through UNPRI and the Responsible Investment Association of Australasia.<sup>20</sup> In terms of multilateral bodies, a follow-on program to Phase 2 of P2 could also engage in applying GLI policies and practices to green infrastructure projects in the region in cooperation with the Asian Development Bank, Convergence, Green Climate Fund, the International Finance Corporation, the Private Infrastructure Development Group, and the World Bank, together with other DFAT-supported programs, like the Australian Climate Finance Partnership.

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<sup>13</sup> China's recent launching of its national carbon trading scheme, which has begun with its power-generation sector, may eventually provide an entry point for cooperation with that country on climate finance for green infrastructure with a gender lens

<sup>14</sup> Singapore Exchange, ESG Fixed-Income Securities Listed on SGX, Singapore, 2021

<https://www.sgx.com/esg/fixedincome#ESG%20Fixed%20Income%20Securities%20listed%20on%20SGX>

<sup>15</sup> IIX Global, IIX Accelerates Gender Bond Issuances with Pricing of Women's Livelihood Bond 3, Singapore, December 9, 2020 <https://iixglobal.com/wlb3close/>

<sup>16</sup> S.R. Choudhury, Temasek and BlackRock commit \$600 million to invest in firms working to reduce carbon emissions, CNBC, April 12, 2021 <https://www.cnbc.com/2021/04/13/singapore-temasek-and-blackrock-commit-600-million-to-reduce.html>

<sup>17</sup> UNPRI, Website, 2021 <https://www.unpri.org/>

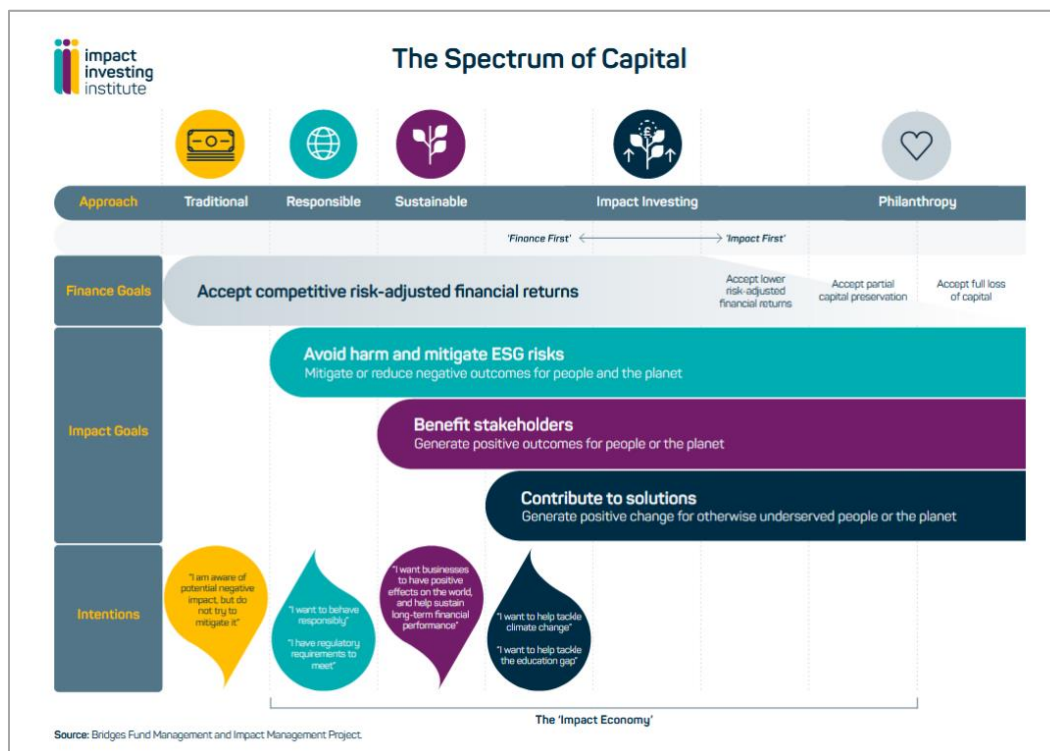
<sup>18</sup> Cbus Super, Website, 2021 <https://www.cbussuper.com.au/>

<sup>19</sup> Constant Energy, Website, 2021 <https://constantenergy.net/>

<sup>20</sup> See the website of the Responsible Investment Association of Australasia (RIAA) <https://responsibleinvestment.org/>

In fact, so dynamic is the trajectory of climate finance globally and now in Southeast Asia, that a follow-on program would be well-served by positioning its work within a broader spectrum of capital, as depicted in Figure 2, especially in the zone between sustainable and impact investing.

Figure 2: The Spectrum of Capital



Source: Impact Investment Institute, 2020

- 5) **Anticipating and engaging with changes in artificial intelligence and the nature of work:** Called the Fourth Industrial Revolution by the World Economic Forum, the rapid advances in applications of artificial intelligence (AI) and machine learning to all parts of the world economy are changing the nature of work in profound ways.<sup>21</sup> Already influential and gaining momentum, this trend will continue to be a major factor in shaping the future markets of Asia and the Pacific. Indeed, in a growing number of sectors, and for ever-more complex jobs, this process is replacing humans with AI, triggering significant worker layoffs. On the other side of the employment ledger, new, higher skilled jobs among software engineers and technology specialists, and in advanced analytics, are being generated. However, early AI applications have been correctly criticized for incorporating the gender biases of their original creators, usually male, although this problem is being addressed in some jurisdictions and industries.

How will women entrepreneurs, women workers, and women investment professionals in Southeast Asia fare in this process over the next ten to 25 years? A follow-on program to Pathway 2 should track AI and the changing nature of work carefully with its investment partners and their investees. There is no doubt that AI can confer the benefits of speed, scale and precision, and lower costs that enhance the productivity of WSMEs and other gender-

<sup>21</sup> See World Economic Forum, *Leading through the Fourth Industrial Revolution: Putting People at the Centre*, Geneva, 2019 [http://www3.weforum.org/docs/WEF\\_Leading\\_through\\_the\\_Fourth\\_Industrial\\_Revolution.pdf](http://www3.weforum.org/docs/WEF_Leading_through_the_Fourth_Industrial_Revolution.pdf)

responsive companies. The new program should encourage responsible leadership for balanced deployment of AI by investees, including upskilling in this area for women entrepreneurs and access to relevant retraining and adjustment programs for employees whose jobs are being eliminated. In addition, gender bias in AI systems in any part of the program should be called out and addressed immediately.<sup>22</sup>

Perhaps the most interesting trend for the new program to study and lever is the expected increase in the years ahead in the demand for high-skilled workers to do new, non-routine, hard-to-automate, cognitive jobs in the major Southeast Asian economies. Among other things, the new program should align and coordinate its efforts with university programs in STEM and in finance and investment to ensure that more women gain equal access to these high-skill, well-paying jobs and participate in the creation, not merely the utilization, of AI solutions.

### 3.3 Programming Factors

- 1) Engaging robustly with institutional investors, especially pension funds, both regional and external.** The under-engagement of institutional investors in blended finance and impact investing generally, and in gender lens investing specifically, has stalled the scaling of these fields worldwide. Recent research by the Organization for Economic Co-operation and Development (OECD) indicates that, while concerns around risk, information and the business case can generally be addressed, it is the lack of *investment-ready vehicles and projects* that is one of the most serious and persistent barriers to increasing institutional participation in scaling blended finance. “The lack of investment-ready project pipelines highlights the need for enhanced investment preparation capacities within governments and development institutions,” the study’s draft report emphasizes.<sup>23</sup>

However, this is changing in for GLI in Southeast Asia. Through a USD 150M gender bond series listed on the Singapore Exchange, impact investment firm IIX Global has attracted the support of not only major public-sector actors like USAID and United States Development Finance Corporation (USDFC), as well as DFAT itself, but also private institutional investors such as Blue Orchard, Standard Chartered Bank and DBS Bank. In another notable case, the newly launched USD 100M SWEEF (Southeast Asia Women’s Economic Empowerment Fund) benefits from a major investment by Pædagogernes Pension (PBU), the Danish pension fund for early childhood teachers and youth educators.<sup>24</sup> Like IIX’s gender bond series, SWEEF also is supported by ESCAP’s Catalyzing Women’s Entrepreneurship Programme, funded by Global Affairs Canada.<sup>25</sup> These investment products offer pension funds manageable risk moderated by public actors, an

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<sup>22</sup> For useful advice on addressing gender bias in AI, see G. Smith and I. Rustagi, When Good Algorithms Go Sexist: Why and How to Advance AI Gender Equity, Stanford Social Innovation Review, March 31, 2021

[https://ssir.org/articles/entry/when\\_good\\_algorithms\\_go\\_sexist\\_why\\_and\\_how\\_to\\_advance\\_ai\\_gender\\_equity](https://ssir.org/articles/entry/when_good_algorithms_go_sexist_why_and_how_to_advance_ai_gender_equity)

<sup>23</sup> OECD, Mobilising institutional investors for financing sustainable development in developing countries: Emerging evidence on opportunities and challenges, Paris, 2021, Draft, p.7; see the final version of this report, which notes that “investment opportunities constitute the main investment driver for pension funds”, p.7

[https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD\(2021\)11&docLanguage=En](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD(2021)11&docLanguage=En)

<sup>24</sup> SEAF, SEAF launches SEAF Women’s Economic Empowerment Fund with Pædagogernes Pension as Cornerstone Investor, January 14, 2021 <https://www.seaf.com/seaf-launches-sweef/>; SEAF is an original impact investment partner of Investing in Women

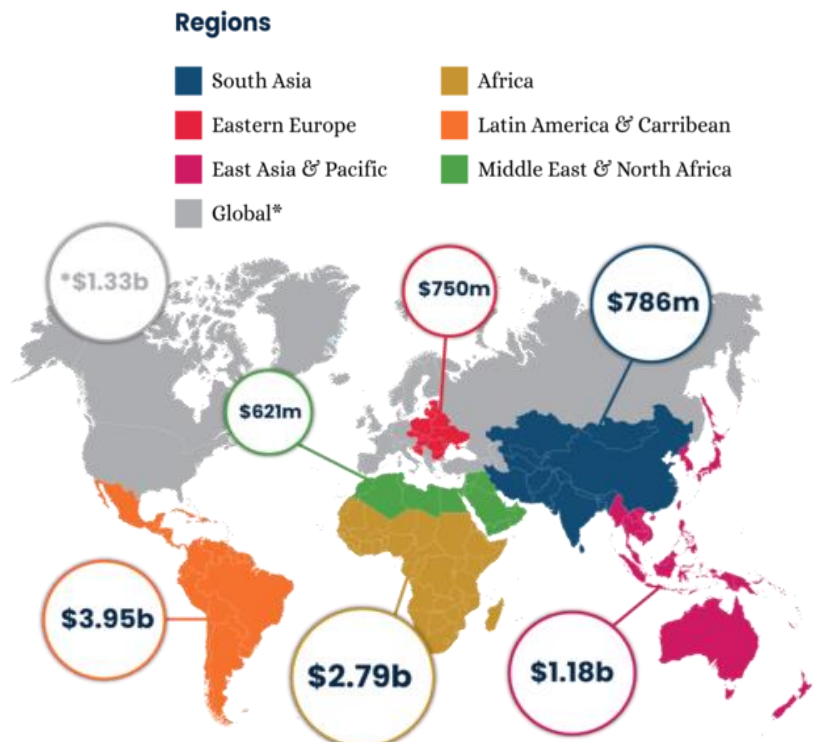
<sup>25</sup> United Nations ESCAP and SEAF, United Nations ESCAP partners with SEAF to launch SEAF Women’s Economic Empowerment Fund, South-South Galaxy, Bangkok, January 14, 2021 <https://www.southsouth-galaxy.org/news/united-nations-escap-partners-with-seaf-to-launch-the-womens-economic-empowerment-fund/>

appropriately long tenor, and adequate ticket size to attract institutional capital for GLI for WEE in Southeast Asia. A follow-on program to P2 should work closely with the creators of such products and their institutional investors to drive capital at scale into deserving WSMEs and other gender-responsive companies across the region.

**2) Playing a leading role in the 2X Challenge in Asia and the Pacific.** The current opportunity for DFAT to join the 2X Challenge is timely—and necessary to further scale GLI in Southeast Asia. As Figure 3 shows, the 2X Challenge has not yet committed a large quantum of capital to the region compared with other parts of the world. As the collaborative increases its presence and activity in the region, by ramping up its DFI-member investments in women entrepreneurs, it will require the experience and lessons of DFAT and IW/P2 in the gender lens investing space to optimize its effectiveness. Both DFAT and the follow-on program to P2 should coordinate their advisory and connecting work with the 2X Challenge as *thought- and action-leaders* and not solely as a member (DFAT) or expert resource (P2). As a start, perhaps these parties could provide joint briefing webinars for 2X Challenge members unfamiliar with Southeast Asia. In fact, DFAT should join the 2X Challenge immediately and become active in animating the acceleration and scaling of 2X member investments in Southeast Asia during the final two years of P2. There is no reason to wait until the follow-on program is launched.

The whole point of the new program working with the 2X Challenge is to accelerate the scaling of GLI for WEE. 2X DFIs—large institutions like USDFC and the CDC Group and smaller players such as FinDev Canada, FMO (the Dutch development bank) and IFU (the Danish development finance institution)—should be encouraged to apply GLI principles and tools to WSMEs, larger gender-responsive companies and green infrastructure projects in ways that draw on P2 approaches integrated with their own strategies and methods.

Figure 3: 2X Challenge Funding Commitments by Region, 2018-2020





**3) Supporting gender-smart climate investments in Southeast Asia.** Thanks to the work of key public entities along with their private-sector partners, the nature and scope of what is possible programmatically in applying a gender lens to climate finance is becoming clearer. In early 2021, the 2X Challenge announced the formation of its 2X Gender and Climate Taskforce. Led by the European Investment Bank, the CDC Group and DEG, Germany’s DFI, the task force “will aim to leverage current progress on 2X and climate investments and recognize the role that women play in leading climate action, strengthening the sustainability of infrastructure delivery, and driving adaptation, resilience and mitigation solutions at all levels of the value chain.”<sup>26</sup> For example, interventions providing access to finance for women entrepreneurs in green sectors, and gender-responsible upskilling for women workers for jobs in renewable energy and mass transit, have been supported by taskforce members.

DFAT should join this taskforce as soon as possible and, during the final two years of Investing in Women, share its work on gender and infrastructure with PIDG and other partners and bring the experience and lessons of P2 to add value to the work of the taskforce. The Department’s engagement with this initiative will inform the design of the follow-on program to P2 as well as DFAT’s other climate and infrastructure interventions.

Perhaps the most comprehensive, high-level analysis of the gender/climate/finance nexus so far is Gender Smart’s 2021 global report entitled Gender and Climate Investment.<sup>27</sup> The report argues that there are five reasons for applying a gender lens to climate finance, or integrating a climate lens in gender lens investing: mitigating risk, fulfilling fiduciary duty, driving long-term value, finding new investment opportunities, and amplifying societal impact through the implementation of the SDGs. Further, the document advises investors focused on gender and climate to ask a series of questions of their prospective investee companies, as set out in Box 1. Among the case studies highlighted in the report is the effort to mainstream gender equality into smart urban water infrastructure by the Asian Development Bank and the Shenzhen water utility in China. In another example, Root Capital, a P2 impact investment partner, is examining its investments in agricultural enterprises that integrate gender and climate to develop “tools for measuring women’s climate vulnerability and assessing the effectiveness of climate interventions for women.”<sup>28</sup>

**Box 1: Key Questions on Gender and Climate for Investors to Ask of Investee Companies**

| Applying a gender lens to climate finance  | Applying a climate lens to gender finance  | Gender and climate together  |
|--|--|--|
| <ul style="list-style-type: none"> <li>• How does the business model of an investee company impact women?</li> <li>• How do the company’s products and services impact the lives of women and girls?</li> <li>• Where are women involved in the company’s supply chain?</li> <li>• Are we missing out on potential growth or impact opportunity by ignoring a key market segment?</li> </ul> | <ul style="list-style-type: none"> <li>• How do the company’s products and services impact climate and environmental sustainability (in terms of contributing to mitigation, adaptation, resilience, or the just transition [to a decarbonized, sustainable economy for all])?</li> <li>• Does the company’s strategy actively contribute to a just transition?</li> <li>• How can we leverage businesses with strong gender equality components to tackle climate change and build resilience and adaptive capacity?</li> </ul> | <ul style="list-style-type: none"> <li>• Are there opportunities being missed by leaving women stakeholders out of climate-related investment processes?</li> <li>• Which opportunities tackle gender-specific impacts of climate change?</li> <li>• Are there gender-specific talent opportunities in climate-related roles?</li> <li>• Are there gender-specific opportunities to improve climate and business performance?</li> <li>• How do we improve women’s voice and agency in decisions about the just transition?</li> </ul> |

Source: Gender Smart, 2021

<sup>26</sup> 2X Challenge, Launch of the 2X Gender and Climate Finance Taskforce, January 12, 2021

<https://www.2xchallenge.org/new-blog/2021/1/12/investing-in-women-tackling-climate-change>

<sup>27</sup> Gender Smart, Gender and Climate Investment, London, 2021 <https://www.gendersmartinvesting.com/gender-and-climate-report>

<sup>28</sup> Gender Smart, Ibid, 2021, p. 62

The Convergence platform has noted that, by far, most blended finance investments in its global database involving gender and climate have employed private debt and equity instruments, with other deals utilizing guarantees, as well as grants for design and preparation and for technical assistance. At the same time, Convergence observes: “Donors and the private sector must explore new, longer-term financing approaches, given that changes in climate and in cultural norms for gender are longer-term, generational processes that cannot be adequately measured on shorter-term time horizons, or adequately captured in traditional reporting processes.<sup>29</sup>” For its part, the Green Climate Fund (GCF), a multilateral grantmaker, has pioneered a comprehensive gender equality policy and action plan that is applied at the levels both of individual projects and of the GCF as a whole.<sup>30</sup>

- 4) Finding effective ways of working with angel investors, venture capitalists and private equity investors in the region.** Both Sagana and the P2 team agree that a follow-on program should engage robustly with angel investors, venture capitalists and private equity investors in the region, including those that may not begin with a commitment to gender or impact. There are two purposes of such engagement: 1) to tap into new sources of capital to scale gender lens investing in WSMEs and larger, gender-responsive companies; and 2) to access sources of knowledge and mentoring to strengthen the professional development of local fund managers, especially women, for GLI. There are networks or associations of angels, venture capitalists and PE investors in Singapore (e.g., Angel Investment Network,<sup>31</sup> Singapore Venture Capital and Private Equity Association<sup>32</sup>) and Hong Kong (e.g., Hong Kong Venture Capital and Private Equity Association,<sup>33</sup> StartMeUpHK<sup>34</sup>) that offer potential on both counts.

A follow-on program could develop and execute appropriate ways and means of providing multi-year accountable grants to these organizations, and to national level networks or associations in core programming countries,<sup>35</sup> for achieving specific outputs and outcomes in terms of catalyzing GLI deals, offering GLI training sessions (resourced by the follow-on program), coaching and mentoring local GLI fund managers, especially women. It would be useful if the final two years of Phase 2 of P2 could be used to explore options for effective grant-making in these areas by the follow-on program. Assessing the current gender policies and practices of candidate-associations would be a useful first step. Doing this work would likely require additional resources for P2.

At the levels of individuals and families, these investors are often HNWIs, as well. Another route for working with them is through education and exposure to other HNWIs committed to and actively involved in impact investing and gender lens investing. US-based Toniic, already

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<sup>29</sup> A. Apampa, How can Blended Finance Address the Gendered Impacts of Climate Change? Convergence Blog, October 8, 2020 [https://www.convergence.finance/news-and-events/news/q7ggpXug3CNYrKlnL0bfs/view?utm\\_source=Mailchimp&utm\\_medium=email&utm\\_campaign=General\\_BFBrief-Oct2020](https://www.convergence.finance/news-and-events/news/q7ggpXug3CNYrKlnL0bfs/view?utm_source=Mailchimp&utm_medium=email&utm_campaign=General_BFBrief-Oct2020)

<sup>30</sup> Green Climate Fund, Updated Gender Policy and Action Plan, Incheon, November 6, 2019 <https://www.greenclimate.fund/document/gcf-b24-15>

<sup>31</sup> Angel Investment Network-Singapore, Website, 2021 <https://www.investmentnetwork.sg/>

<sup>32</sup> Singapore Venture Capital and Private Equity Association, Website, 2021 <https://www.svca.org.sg/>

<sup>33</sup> Hong Kong Venture Capital and Private Equity Association, Website, 2021 <https://www.hkvca.com.hk/en/index.aspx>

<sup>34</sup> StartMeUpHK, Website, 2021 <https://www.startmeup.hk/>

<sup>35</sup> Lessons and tools from Scaling Frontier Innovation, a DFAT program, may be relevant here: see <https://scalingfrontierinnovation.org/>

involved in the Asian Venture Philanthropy Network, is an excellent initial partner for this activity. Toniic offers its members a suite of services that includes member forums, access to direct deals, and co-investment opportunities.<sup>36</sup> The follow-on program could negotiate a multi-year, accountable grant to Toniic for key outputs in expanding its membership in SE Asia, building (perhaps with AVPN) the knowledge and skills in GLI of HNWI in the region, and animating GLI investment opportunities for members and other interested participants.

- 5) Placing a priority on MEL for downstream results.** The advice of the MTR report is for the current phase of P2 to integrate more commercial metrics (e.g., revenue growth, profitability) in monitoring the performance of investee firms and investment partner portfolios and investee firms. This is an appropriate recommendation for the follow-on program, as well. However, the downstream chain of results in gender lens investing is longer and more complex than indicators relating solely to firms and funds. Indeed, as Figure 4 shows, blended finance investments can be assessed in terms of their front-end results—additionality, mobilization/leverage, concessionality, and value for money—and their downstream results for firms, individuals (entrepreneurs/owners, employees, suppliers, and customers) and, ultimately, households.<sup>37</sup> This graphic depicts a theory of change that follows capital from its source to its end users. It can be used to explicate and interrogate the links among GLI, the Sustainable Development Goals, and women’s economic empowerment.

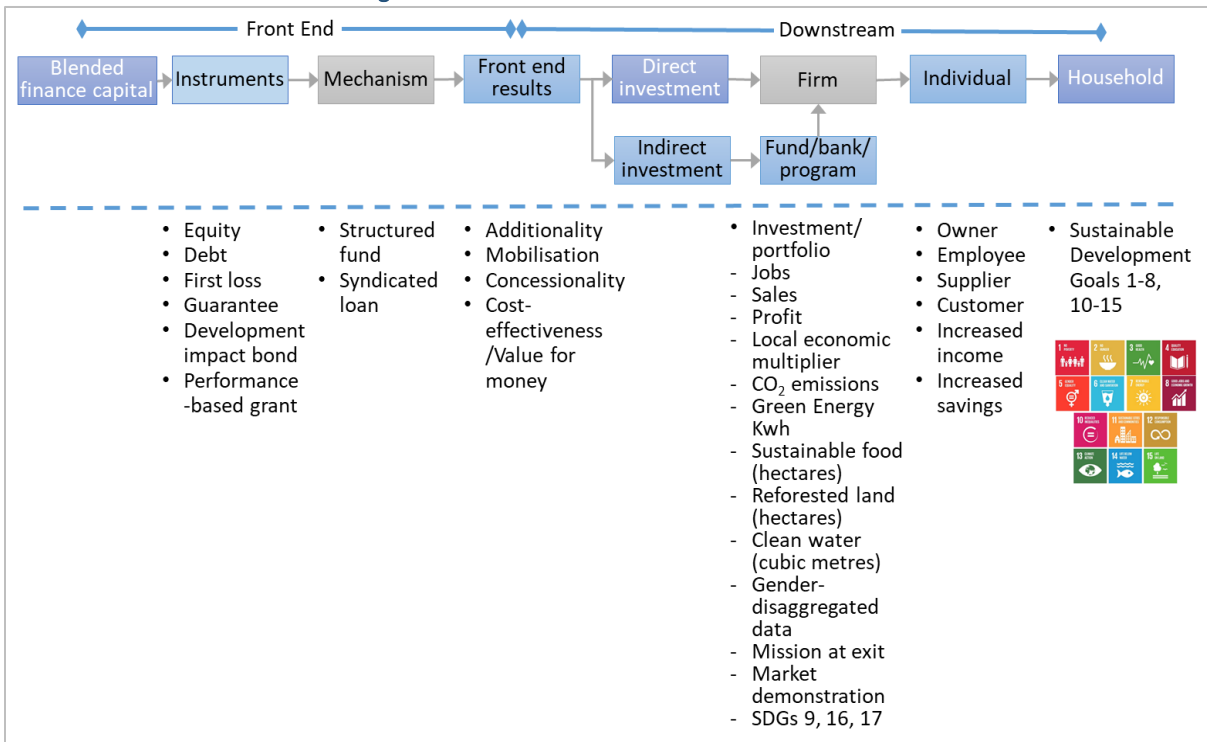
The follow-on program should emphasize monitoring, evaluation, and learning (MEL) of the downstream segments of the results chain. Of course, front-end results in GLI are fundamental to success. However, it is understanding and continuously improving the *downstream* results among the stakeholders who are intended to benefit from this new capital that is crucial to achieving meaningful women’s economic empowerment. Using MEL to demonstrate positive change among women entrepreneurs, women employees, and their households—along with the mobilization and leveraging of new private capital by funds and firms—will also provide important data for decision-makers in DFAT in Canberra and their DFI and donor-agency partners.

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<sup>36</sup> Toniic, Website, 2021 <https://toniic.com/>

<sup>37</sup> V. Habbel, E.T. Jackson, M. Orth, J. Richter and S. Harten, Evaluating blended finance instruments and mechanisms: Approaches and methods, OECD Development Working Papers, No. 101, OECD, Paris, 2021, p. 27 <https://www.oecd.org/publications/evaluating-blended-finance-instruments-and-mechanisms-f1574c10-en.htm>

Figure 4: Results Chain for Blended Finance Investments



Source: Habel et al, 2021

**6) Preserving mission at exit.** A key outcome at the level of the investee firm involves exits. Every investor seeks an efficient exit from each investment, with the expected financial return. However, in gender lens investing in WSMEs or larger, gender-responsive companies, it is essential that the party (e.g., an entrepreneur, fund, or bank) buying the exiting investor's interest *continue to promote gender equality*. When this happens, it is called mission preservation at exit.<sup>38</sup> Preservation of mission at exit, which is a crucial way of sustaining GLI downstream results, should be required of all companies and funds involved in the follow-on program.

**7) Ensuring women's job quality.** A core driver of women's economic empowerment is increased income that the employee's household can deploy for health, education, good food or additional income-generation, among other uses. It is therefore critical that the follow-on program ensure with its investment partners that the *quality* of jobs provided to women employees of investee firms and their suppliers meets international labour standards for decent work and human rights. General terms of service, remuneration, benefits, occupational health and safety, and freedom from harassment and discrimination, should be respectful, fair, and sufficient to sustain worker livelihoods. Drawing on a range of standards and metrics, Table 4

<sup>38</sup> J. Gray et al, Great Expectations: Mission Preservation and Financial Performance in Impact Investing, Wharton Social Impact Initiative, Wharton School of Business, University of Pennsylvania, 2015  
<https://socialimpact.wharton.upenn.edu/wp-content/uploads/2016/09/Great-Expectations-Mission-Preservation-and-Financial-Performance-in-Impact-Investing.pdf>

sets out illustrative indicative indicators that the MEL team for the follow-on program could track for investee companies, supplier companies and the portfolios of investment partners.<sup>39</sup>

Table 4: Illustrative Indicators of Women’s Job Quality

| Indicator   | Policy/<br>system | Frequency/<br>percentage | Enforcement/<br>remedy | Sources          |
|---|-------------------|--------------------------|------------------------|------------------|
| 1 Average hourly earnings of female and male employees                                      | ✓                 | ✓                        | ✓                      | WEF, SDGs, IRIS+ |
| 2 % of employees provided with a living wage, by sex  | ✓                 | ✓                        | ✓                      | WEF              |
| 3 Number and percentage of female employees promoted, by job category                       | ✓                 | ✓                        | ✓                      | IRIS+, SDGs      |
| 4 Average hours of training per year by sex and employee category                           | ✓                 | ✓                        | ✓                      | WEF, GRI, SASB   |
| 5 Number of discrimination and harassment incidents, status and action taken                | ✓                 | ✓                        | ✓                      | WEF, GRI, SASB   |
| 6 Frequency of fatal and non-fatal reported injuries by sex and migrant status              | ✓                 | ✓                        | ✓                      | SDGs             |
| 7 Access to non-occupational medical and healthcare facilities, by sex                      | ✓                 | ✓                        | ✓                      | WEF              |
| 8 Percentage and number of children ages 5–17 years engaged in child labour, by sex and age | ✓                 | ✓                        | ✓                      | SDGs             |
| 9 Compliance with labour rights (freedom of association and collective bargaining)          | ✓                 | ✓                        | ✓                      | SDGs, ILO        |
| 10 Number and % of operations subject to a human rights review, by country                  | ✓                 | ✓                        | ✓                      | WEF, UN          |

Note: For expansion of acronyms, see the Acronyms list.  
Source: Author’s adaptation of indicators from various systems and guidelines

Source: Jackson, 2021

- 8) Creating long-term university partnerships.** Neither Sagana nor the P2 team have mentioned the possibility of the follow-on program working with universities. There is an understandable bias toward investment practitioners as sources of knowledge, training, and mentoring, and for access to new capital. Nonetheless, universities are multigenerational institutions and thus able to navigate, adapt and sustain the permanent struggle for gender equality and gender lens investing for WEE, through knowledge production and transfer, over a very long time-horizon.<sup>40</sup> Moreover, they can serve as local sites where hubs of expertise can be built to provide independent research and credentialized professional education to accompany, inform, amplify, and hold accountable the growing field of gender lens investment in Southeast Asia.

The follow-on program, therefore, should include a stream of work on knowledge production and transfer rooted in creative, durable campus-industry partnerships with key Southeast Asian universities, funded by multi-year, outcome-based, accountable grants to select universities in core programming countries and elsewhere in the region. During the next two years, a detailed request for proposal for such partnerships and initial bidders’ list could be prepared. Only two

<sup>39</sup> E.T. Jackson, Harmonisation for speed and efficiency: choice and voice in measuring women’s job quality, in S. Attridge (ed), The catalytic effects of DFI investment-gender equality, climate action and the harmonization of impact standards, Overseas Development Institute, London, 2021, pp. 52-57 <https://odi.org/en/publications/the-catalytic-effects-of-dfi-investment-gender-equality-climate-action-and-the-harmonisation-of-impact-standards/>

<sup>40</sup> E.T. Jackson and E. de Morais Sarmiento, Gender lens investing: co-creating critical knowledge to build a credible, durable field in E. de Morais Sarmiento and R. Paul Herman (eds), Global Handbook of Impact Investing, Wiley, Hoboken, 2021, pp. 195–232

or three such proposals would need to be funded and managed. High-performing, mid-career scholars, bolstered by more senior and more junior academics, should be sought to lead these new hubs of expertise—and generators of successive cohorts of new champions of GLI for women’s economic empowerment. The RFP research and preparation for university partnerships may require extra resources for P2.

## 4 Elements of the Design of a Follow-on Program

This paper is not the place for a detailed discussion of the design of a follow-on program to Phase 2 of Pathway 2 of Investing in Women; however, informed by the foregoing, some initial elements can be identified:

- 1) Expanded scope, timeline, and budget:** Through Pathway 2, and through its other programs, DFAT has become a world leader in gender lens investing for women’s economic empowerment—and the most experienced and skilled development actor in *doing* GLI in Southeast Asia. The follow-on program is an excellent opportunity for the Department to take this work to the next level of leadership, reach and impact; strengthen its programming relationships with western and regional allies; broaden its investment partnerships with the private sector; lever the momentum of ESG investing, climate finance and green infrastructure; and build successive cohorts of new GLI champions and practitioners for the long term.

This expanded scope requires, and deserves, an ambitious timeline and budget. One scenario that could be reasonably considered is a seven-year program (2023-2030) with a budget of AUD 140M, i.e., program spending averaging AUD 20M per year *for the gender lens investing component of the new WEE program*. The new program could be divided into two phases, with Phase 1 running from 2023 to 2027 and Phase 2 from 2027 through 2030. The year 2030, the global target date for achieving the SDGs, would serve as an opportunity for Australia to highlight its world-class achievements, innovation, and excellence in advancing gender lens investing for women’s economic empowerment.

- 2) Wider range of supply-side partners:** The most important, and largest, component of the new program would involve working with a wider range of investment partners on the supply side of capital—impact investment funds; angel investors, venture capitalists and private equity investors; institutional investors (pension funds, Sovereign wealth fund, banks, asset managers), development finance institutions, and HNWIs—to accelerate and scale up GLI in Southeast Asia. The prime instrument for advancing WEE through GLI with this wider array of investment partners is the *long-term, accountable grant agreement* with select organizations such as funds, institutions, and associations. It will be important to understand in detail precisely what incentives are necessary to effectively and efficiently change behaviour, policies, and practices by each type of investor in specific geographies. Up to 60% of the new program’s programming budget should be allocated to the negotiation, management, and monitoring of investor agreements.
- 3) The priority of investment readiness:** Enabling investment readiness of investee-WSMEs and larger gender-responsive or gender-relevant companies must be a priority for all investment partners of the new program. *Budget line items* in grant agreements with investment partners should include provision for multiyear offerings of investment readiness programming such as, but not limited to, accelerators, incubators, training, and coaching. Investment readiness is not only about preparing investees to raise and utilize capital; it is also about preparing them to

grow and diversify their revenues, rapidly or “normally;” achieve and sustain commercial viability; and generate meaningful, positive downstream impacts among their owners, employees, suppliers, and customers.<sup>41</sup> As much as 10% of the new program’s programming budget could be allocated to investment readiness.

- 4) An infrastructure crosswalk:** Just as the follow-on program would need to work closely with EMIIIF to achieve synergies and complementarities, so would it need to interface productively with other DFAT programs and initiatives, and other public and private partners, to calibrate its specific contribution to applying GLI strategies and methods to *large-scale infrastructure investments* in renewable energy, clean water, waste management and other high-impact sectors, especially for climate mitigation, resilience and adaptation. Perhaps a formal structure on GLI and infrastructure could be put in place by DFAT that would coordinate and lever the strengths of the Department’s suite of programs, western DFIs (USDFC, CDC Group, EIB), multilateral actors (PIDG, ADB, IFC, World Bank), non-local and local asset managers (e.g., BlackRock) and pension funds, (e.g., PBU), and others. DFAT could enlist the formal support of the 2X Collaborative and the multilaterals in this effort. Up to 10% of the new program’s programming budget could be devoted to embedding GLI in infrastructure investments in the region.
- 5) Multigenerational capacity-building:** Recognizing the long-term nature of the struggle for gender equality in Southeast Asia and beyond, the new program would also place a priority on building the *professional skills, knowledge, and connectivity* among successive cohorts of champions, practitioners, scholars, and policymakers *in the region* in GLI for WEE. This could be achieved through, first, grant agreements with investment associations and networks for training, mentoring, and coaching of new fund managers and women professionals in investment and finance more generally, and second, grants in support of university-industry hubs of expertise in Southeast Asia to build and transfer independent, credible, and actionable knowledge to accompany the scaling of gender lens investing in the region. Up to 5% of the new program’s programming budget should be devoted to this priority.
- 6) Geographic expansion:** There is still more room to grow within P2’s current programming countries—Indonesia, Philippines and Vietnam—either in regional cities and more remote areas or through new investment-partner channels. At the same time, the new program could, and should, expand its reach across Southeast Asia by adding new programming countries, particularly Cambodia and Laos. Programming in smaller, less populous geographies will require, through action-research, initial piloting and refining, customized designs, and appropriate partnerships. For example, high-performing microfinance institutions or even central banks could be engaged to advance the program. Up to 15% of the new program’s programming budget could be allocated to activities in expansion countries.

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<sup>41</sup> The design of the new program will need to balance a supply-driven approach to investment readiness, given the importance of this element to firm and program success, with evidence of demand by investee firms for these services; as well as financial incentives, education and communications can be used to stimulate demand

## 5 Conclusion

Through cogent strategy, focused implementation and diligent grant-making, the Department of Foreign Affairs and Trade and Investing in Women have become recognized leaders, in Asia and the Pacific, and the world, in the implementation of gender lens investing for women's economic empowerment. The possibility of a new program to follow on from Phase 2 of IW's Pathway 2 offers an excellent opportunity not only to consolidate what has been learned and achieved to date, but to extend and deepen the reach and impact of this work across Southeast Asia and beyond. The recommendations advanced in the MTR report and by the P2 team point to strong and appropriate future directions. By widening the analytic lens and looking further ahead, the assessment of the possibilities and priorities for the new intervention becomes more fulsome and the outline of its main elements clearer. The prospects of the follow-on program are bright and very positive.