



INVESTING IN WOMEN
SMART ECONOMICS
AN INITIATIVE OF THE AUSTRALIAN GOVERNMENT



INVESTOR'S JOURNEY IN GENDER LENS INVESTING:

Examples from the field

A SEASONED
SOCIAL INVESTOR
GETS INTENTIONAL
ABOUT GENDER

Case example:
**Foundation for a Sustainable
Society Inc. (FSSI)**
June 2022



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I.

INTRODUCTION

Foundation for a Sustainable Society Inc. (FSSI) Philippines is a social investment organisation that is pursuing gender lens investing (GLI), motivated by a desire to grow impact enterprises capable of scaling and influence. This case study documents FSSI's GLI journey. It forms part of a case study series that seeks to promote awareness and knowledge exchange of GLI practices by sharing honest and relatable examples, as well as illustrating the role of philanthropic capital in these.

FSSI

FSSI was established in 1995 as a non-profit social investment organisation. FSSI supports the development of social enterprises by extending financial and non-financial services to businesses with people, planet, and profit— also known as triple bottom line (3BL) —objectives. FSSI's financial services include loan products, seed and venture capital, deposits (in cooperative federations and cooperative banks), grants, or a blend of these instruments, depending on requirements of the enterprise. Its non-financial services include business development, 3BL strategy promotion, and value chain development. To date, FSSI has supported over 240 social enterprises.

Investing in Women

Investing in Women, an initiative of the Australian Government, catalyses inclusive economic growth through women's economic empowerment in South East Asia. Investing in Women uses innovative approaches to improve women's economic participation as employees and as entrepreneurs in the Philippines, Indonesia, Vietnam, and Myanmar through:

- **Workplace Gender Equality (WGE)** – We support Business Coalitions who work with influential businesses on shifting workplace cultures, practices, and policy barriers to achieve WGE;

- **Impact Investment for Women's SMEs** – We partner with Impact Investors and ecosystem builders to expand market opportunities for women, with a view to incentivising and catalysing access to capital for small and medium enterprises (SMEs)– led by and responsive to the needs of women; and
- **Influencing Gender Norms** – We work with partners to positively shift attitudes and practices to support women in the world of work. In collaboration with corporations and business leaders, impact investors, entrepreneurs, and advocates, we are working with those who are driving change for women's economic equality in our region.

For more information, visit, www.investinginwomen.asia.

Value for Women

Value for Women (VfW) is a women-led global social enterprise that works closely with partners to design and implement research, technical assistance programmes, evaluations, tools, and blended capacity-building initiatives in Africa, Asia, and Latin America focused on impact investing and the small and medium enterprise space. VfW helps organisations to advance gender inclusion. We believe that women are key drivers of economic and social growth and that women's inclusion is essential for better business outcomes. We identify and test new solutions that foster inclusion while unlocking the powerful economic potential that women hold. Specifically, we support investors seeking business and social returns in diverse sectors, such as finance, agriculture, and clean energy by providing research and technical advisory support. Learn more at www.v4w.org.

WHY FSSI PURSUED GLI

An Impact Institution with a Desire to Further Expand Its Social Impact

FSSI was established in the Philippines in 1995 to finance sustainable development projects for the marginalised sectors, doing this by supporting small and medium social enterprises (which FSSI refers to as “partners”). Since its founding, **social impact has been at the core of its activity**. Then, in 2020, the organisation decided to further expand that impact by being intentional about how it engages with women-owned and led social enterprises (referred to from here on out as “women’s social enterprises” or “WSEs”).

This intentional engagement with WSEs made sense for FSSI. For starters, **gender had always been one of FSSI’s institutional values**. In response to the significant underfinancing of WSEs, which limits these businesses’ growth potential, **FSSI was already providing capital to the WSEs** that traditional banks are often ill-equipped to finance; this capital ranged from loan products and seed capital to a blend of these instruments. Furthermore, **outreach to WSEs could be supported by FSSI’s strong network of 18 member organisations**.



FSSI Partners and Member Organisations

- Partners are social enterprises that receive financial investments and capacity building services from FSSI.
- Members are organisations that chart FSSI’s direction and support its mission, including by on-lending FSSI resources and sourcing pipeline for direct FSSI lending and investing. Members include microfinance institutions, cooperative federations, development organisations, advocacy organisations, and others.

Additionally, FSSI was already gender diverse internally. Gender-specific policies were part of the human resources policy manual and FSSI was fortunate to have a welcoming and gender-inclusive culture where 2/3rds of staff and five of nine board trustees were women. Furthermore, **many staff came to FSSI with a personal commitment to gender equality**.

“I think everyone in the organisation believes that they have a basic orientation in gender. In some of the meetings, especially strategy planning meetings and project committee meetings, gender is usually one of the core areas of discussion.”

- FSSI representative



An Impact Case and a Business Case for GLI

FSSI’s decision to partner with IW in 2020 marked the beginning of its formal commitment to pursuing a GLI strategy. FSSI decided to do so as it saw both the impact case and the business case for prioritising gender.

IMPACT ON WSE VIABILITY AND ON COMMUNITIES: As part of FSSI’s commitment to growing impact enterprises capable of scaling, the team saw it needed to do a better job **offering financial products that are appropriate** for investment-ready WSEs. Additionally, FSSI was aware that the broader entrepreneurial ecosystem needed **help to produce more investment-ready WSEs**— and that its own existing business development services could be provided in such a way as to support this. Finally, FSSI recognised that it could potentially be an effective **advocate for GLI within the local investor community**.

STRONG BUSINESS AND SOCIAL PERFORMANCE OF WOMEN BUSINESS LEADERS: Though FSSI did not yet have sex-disaggregated data, the team observed that women business leaders appeared to have **better performance than men**. This included at Kapatagan Cooperative, where the woman manager not only turned around the cooperative’s performance but grew the cooperative to become one of the major organic fertiliser manufacturers in the Philippines’ Northern Luzon provinces. It also included the women entrepreneurs of Tahanang Walang Hagdanan, an enterprise of persons with disability that competes head-to-head with peers while improving the welfare of disabled members, of Almeria Seafarers Multi-Purpose Cooperative, where women entrepreneurs mentor smaller cooperatives, and of PATAMABA, a grassroots association of home-based women workers that champions the cause of women’s livelihoods in the informal sector.

MARKET POSITIONING: FSSI zeroed in on the opportunity to position itself as a known gender lens investor in a region that is one of the fastest-growing gender lens investing markets. This was expected, in turn, **to attract more women clients and grow FSSI’s portfolio**. FSSI also saw it would offer FSSI **an edge in fundraising**, to raise funds beyond its endowment, which could be used for WSE capacity building.

“We would like to be a catalyst, be a trailblazer.”

- FSSI representative

Seeking a Strategy to Meet Investment Targets

Building on FSSI's strong impact foundations, and to take advantage of the social and business opportunity it identified, in 2020 FSSI entered into a partnership with IW to pursue gender equality. As part of this partnership, FSSI developed targets on disbursing more funding to WSEs.



Blended finance model between IW and FSSI

IW's partnership with FSSI supports the latter to make debt, equity, and convertible investments into women's SMEs in the Philippines. Features of this blended finance structure for 2020-2030 are:

- **Investment capital** for an investment fund to provide catalytic risk capital (debt, equity, convertible) for at least seven women's SMEs not already in the FSSI portfolio.
- **Operational support** to cover management fees, investment staffing, deal execution, and post-investment support.
- **Technical Assistance Facility** for business and value chain development services with the National Confederation of Cooperatives (NATCCO) and the Philippine Business for Social Progress (PBSP)¹ in order to enhance investment readiness of women's SMEs and their need for post-investment support.
- Anticipated **co-investments** of at least 1:1 matching by FSSI, a member, or a third-party investor.
- **Advisory support** from Value for Women, to help FSSI put in place a GLI Action Plan to strengthen the capacity of FSSI to engage with, evaluate, and execute transactions with women's SMEs.

"IW's partnership has made gender the main theme for FSSI in investing in social enterprises."

- FSSI representative

¹ Both NATCCO and PBSP are FSSI member organisations and form part of FSSI's Board of Trustees.

Yet FSSI knew it faced challenges to reach these targets. Of FSSI's 86 investments between 2016 and 2019, 29 were in WSEs. There were two primary reasons why FSSI's financing was not a more suitable fit for WSEs. The first issue was the business stage FSSI was supporting; FSSI focused on providing growth-stage financing, frequently to the exclusion of start-up financing. The second problem was that for both growth and start-up financing, FSSI was primarily extending standard loans rather than equity, in large part to reduce risk; indeed, equity was estimated at only 0.4% of the FSSI development portfolio. The limited financing options screened out social enterprises that would have benefited from more diverse instruments. Together, **FSSI's business stage focus and financing instruments limited how suitable FSSI's funding was** to small (early-stage) enterprises, which is where WSEs are disproportionately found.

Additionally, **FSSI's criteria for project consideration, though driving greater intentionality around impact broadly, were hindering FSSI's ability to create a gender-balanced portfolio.** FSSI's project criteria are three: People, Planet, Profit; gender is a subcomponent under People. And to become an FSSI partner, People is an optional criterion (each project must meet the "Profit" criterion and one additional criterion (People or Planet)). This meant that gender had limited visibility and was not mandatory for approval. Finally, during partner due diligence, FSSI requested gender data to assess the 3BL criteria but because its institutional reporting tool did not include sex-disaggregated data, extra steps were required to extrapolate and report this information.

The challenge of identifying investment-ready WSEs also stemmed from FSSI's structure; FSSI's investees are not only WSEs but also member lending institutions, the latter then on-lending to their own portfolio of WSEs. These members had varying levels of maturity and gender inclusion and used organisation-specific, rather than standardised, 3BL targets (for example, cooperatives are mandated by the Philippines' Cooperative Development Authority to pursue gender-mainstreaming, though other lenders are not necessarily). As a result, **FSSI faced unique challenges in directly achieving standardised objectives, targets, and indicators** for the financing its members distributed.

These challenges were linked to a lack of intentionality in FSSI's approach. As an organisation, FSSI had previously integrated some gender-inclusive practices into its internal practices, capital allocation, partner composition, and external communications. However, **FSSI had never tried to achieve gender impact per se through intentional actions, gender targets, or the articulation of a gender approach or strategy.** The organisation needed this intentionality in order to successfully move forward on gender inclusion.

FSSI'S GLI JOURNEY

In light of the aforementioned challenges to meeting its investment targets, FSSI set the following three goals for its GLI journey:

1. Build a pipeline of investment-ready WSEs in order to invest in more WSEs
2. Strengthen investing tools and processes and formalise policy to support gender equality
3. Build the capacity of FSSI, members, and partners on gender equality

Between May 2021 and February 2022, Value for Women provided technical assistance to FSSI in addressing these goals. Through this support, FSSI set a Gender Action Plan, following which the organisation learned about GLI, developed strategic clarity, built its ability to measure progress, and has begun to grow relationships that will connect FSSI with more WSEs:



Learned what it means to apply a gender lens

Through a virtual **GLI 101 Training**, FSSI and members learned how a gender lens can be used in providing capital, in the investment process itself, and at the firm level. Additionally, they were equipped with the knowledge and talking points needed to make the business case for gender inclusion internally and to FSSI's member organisations. Finally, case studies seeded ideas for specific activities that the organisations could pursue to become gender lens investors.



Determined how to start applying a gender lens

FSSI is developing a **Gender Strategy, including policies, indicators, and targets for members and partners**. This will make FSSI's commitment to gender inclusion more explicit and focused. It will also enable FSSI to encourage and support its members and partners in formalising their commitment and establishing their own way forward in GLI. This Strategy is in process to be approved by FSSI's board in 2022.



Began to adjust tools

FSSI began to collect, analyse, and use sex-disaggregated data as part of the organisation's tools (e.g., a revised partner and member organisational profile template asking for board and management data disaggregated by sex). This way, FSSI's monitoring and learning systems and processes can provide a baseline and track progress as well as contribute to decision making and product development for actively sourcing and supporting WSEs. FSSI started this process by analysing its current monitoring and evaluation practices, developing baseline gender statistics to enable future target setting, and identifying important sex-disaggregated data to be collected and analysed.



Began to establish programmes, products, and partnerships to support WSEs directly or through members

FSSI and its members were trained to lead a **Gender-Forward Business² Training**, in order to replicate the training with social enterprises in their portfolios. This training makes the business case for gender-forward business practices across all companies, not just those that are WSEs, and points to concrete actions businesses can take to simultaneously improve gender inclusion and drive improved business performance. FSSI and members plan to roll out the training with their portfolios shortly.



² Gender-forward business practices mean: intentionally seeking to rectify gender inequalities by providing products and services that close gender gaps or meet the needs of women/and or girls; and/or supporting gender diversity through internal policies and practices in the workforce; and/or strengthening inclusion and diversity across the value chain.

RESULTS TO DATE

Investor Level

A broader gender lens is now taken. Initially, FSSI thought about gender as the number of WSEs in which it invested. Now, after the gender training, FSSI is knowledgeable about additional elements of a gender-forward business, for example looking at gender in the value chain. FSSI now also sees its entire portfolio, and those of its member organisations, as potential drivers of gender inclusion.

“It has given us another view, another angle, another perspective at looking at how FSSI works and contributes to the women and gender agenda and inclusivity.”

- Jerome, FSSI

Data is now sex disaggregated. FSSI recognised that gender was not visible enough in its work and so has started implementing sex-disaggregated data collection in all its activities, from applications to events to its investment portfolio (on the latter, it now sex disaggregates ownership, leadership, and governance data of both members and partners). Correctly classifying WSEs during the investment application processes has been a critical first step for FSSI to more intentionally seek out WSEs in which to invest. And beyond that, the basic change from FSSI being aware of women participants to taking a clear look at women’s participation has been a powerful lever for increasing the team’s awareness of gender equality.

“[We now see] the importance of getting sex-disaggregated data in all our work so we can have a profile of who we are serving and who is interested in the products and services of FSSI.”

- Erness, FSSI

A sustainable structure is in place to advance FSSI’s Gender Action Plan. To spearhead the different strategies prioritised in the organisation’s Gender Action Plan, FSSI created a gender committee. Critically, this committee has also been charged with setting targets and championing the organisation’s GLI practices going forward. Today, the committee is working to shepherd the Gender Strategy through organisational approval.

Internal capacity is stronger to select prospective investees. Today, FSSI is planning to use some of the operational support funding provided by IW to add new personnel for sourcing leads and doing appraisals. Additionally, as a result of the training and Gender Strategy, as well as the forthcoming tools, the team reports having ‘sharper eyes’ for combining a gender lens with business and risk analysis to select prospective investees.

There is a more robust pipeline of investment-ready WSEs. Today, three deals have been released under this IW collaboration, three more have been approved, and seven

more are in pipeline. Sourced through referrals from current partners, government agencies, and NGOs supporting micro, small, and medium enterprises, these deals are a combination of loans and purchase-order financing and range in deal size from US\$40,000 to US\$200,000.

Use of financing instruments has shifted. Today, FSSI uses a greater percentage of equity in its development portfolio, from 0.5% in 2019 to 2.7% as of March 2022.

Field Building

The ecosystem is starting to engage. To date, FSSI has engaged one member (Federation of People's Sustainable Development Cooperative, FPSDC) to co-invest in WSEs; FPSDC was the sourcing for part of the aforementioned pipeline. FPSDC and future members bring their own pipeline and additional reach to WSEs. Moreover, FSSI is increasingly being associated with GLI and has been approached by corporates that want to support women's entrepreneurship and economic empowerment locally.

Interest has been generated for gender-forward business training and technical assistance. As an organisation that plays a central role in the greater Filipino development sector, including through its member network and its funding allocations, FSSI stands to achieve impact beyond its immediate sphere of influence. By including its member organisations in the GLI 101 Training, and involving multiple member organisations (e.g., NATCCO, PBSP) as active partners in its GLI work, FSSI is serving as a role model and moving the needle on norms and practices for gender-inclusive development financing. This has also resulted in there now being more member demand to participate in the gender-forward business training than FSSI is currently able to meet; FSSI has included more such training in the pipeline for 2022.

An additional result of this work is that today, partners are becoming more aware of the impact and business case for being gender forward. They are also realising that some of their current practices are already gender forward and that, with some enhancement, these can achieve even greater social and business impact. This is driving partners' interest in training and technical assistance.

KEYS TO EARLY SUCCESS

“... the vital role is to set the direction. If I have a gender lens clear in my mind ... then I can set the direction, and help with setting policies.”

- Member of FSSI's Board of Directors

Declaring a “north star” and then developing a strategy to get there: With IW, FSSI set targets around disbursing more funding to WSEs. Then, it put earnest attention to determining how to reach these targets. Critically, this began with building the FSSI team's understanding of the different gender lenses for working with investees (WSEs; products/services with disproportionate impact on women; gender diversity in the firm; women in the value chain). With this understanding in hand, FSSI was then able to assess where it was on each of the different gender lenses, define specific goals, and craft a Gender Strategy to ultimately reach its “north star”, and potentially go even further.

Establishing a gender committee for sustained action: This is an important practice emerging from FSSI's experience. Keys to a successful gender committee are: bestowing it with influence (such as through a mandate from management or senior management participation on the committee), defining its role as being to champion GLI practices within the organisation, setting targets, and establishing clear responsibilities and regular meeting times.



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CHALLENGES & LEARNINGS

Building WSE pipeline: In 2021 and 2022, FSSI faced a backlog in releasing gender lens investments because, as a result of the pandemic, some WSEs in pipeline pre-pandemic were no longer meeting FSSI's criteria (specifically, clear and audited financial statement and up to date registration with regulatory institutions). In response, FSSI tried multiple strategies to build a viable pipeline:

- **Expanded its sourcing channels to include requesting WSE recommendations from members:** Unfortunately, many of the WSEs recommended have ultimately not expressed need or interest in partnering, and those that have, have had organisational and/or operational issues that ultimately made the investment opportunities not viable for FSSI.
- **Explored with members the possibility of a co-investment agreement:** FSSI implemented this strategy in 2021 to fast track the sourcing of partner WSEs. FPSDC entered into this co-investment agreement, and to date this has generated seven of the aforementioned WSEs in pipeline, four of which have already been approved.
- **Continued its regular efforts to develop WSE pipeline:** This generated six of the aforementioned WSEs in pipeline, two of which have already been approved.

Identifying the right fit of investment-ready WSEs: In addition to the pandemic-related pipeline challenges mentioned above, many of the small WSEs in the pipeline were not yet adept at preparing project plans, budgets, and financial projections. FSSI sought to overcome these challenges while maintaining its commitment to due diligence requirements, specifically around compliance and documentation. For example, today FSSI is providing WSEs the additional time they may need to meet requirements. The team is also looking at reviewing its products and services to ensure they respond to WSEs' requirements in a way that improves these enterprises' access to financing without increasing risk to FSSI. An initial result is that FSSI now provides a few selected WSEs with technical assistance for investment readiness before investing, in addition to the technical assistance on business and 3BL performance that it offers after investing. FSSI is also considering offering lower financing amounts with corresponding lower asset and sales requirements.

Using participatory approaches: As an organisation with membership, a General Assembly, and an active Board of Trustees, FSSI decided to take a participatory approach to develop its Gender Strategy. While this has required additional staff time and an extended timeline, FSSI anticipates that having aligned its process to its decision-making structure and collective nature will lead to stronger commitment and long-term sustainability for its Gender Strategy.

ASPIRATIONS & FUTURE GLI OPPORTUNITIES

With a comprehensive Gender Strategy in the final stages of approval, FSSI has multiple next steps as it advances along its GLI journey. These include:

- Aligning FSSI's definition of WSEs with internationally accepted definitions (e.g., those of Investing in Women or 2X Challenge criteria³). This will improve the clarity and transparency of communications with FSSI's existing and potential members and partners.
- Rolling out the tools developed to date, such as the revised organisational profile template and the Gender-Forward Business Training for social enterprise partners.
- Continuing to learn through the new tools that measure how well FSSI's products and services are reaching, and serving, WSEs.

“All products and services we will have moving forward will have that gender lens. Not just in terms of women-owned and women-led business, but in terms of products and services and creating markets for women.”

- Erness, FSSI

“We hope to champion gender lens investing in the social investing sector. We hope that we are one of the pioneers in pursuing and promoting gender lens investing.”

- Irene, FSSI

³ The 2X challenge is a financing initiative supporting businesses that provide women in emerging economies with access to leadership opportunities, quality employment, and products and services that enhance their economic participation and inclusion. Find the 2X criteria here: <https://www.2xchallenge.org/criteria>



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VIII.

CONCLUSION

FSSI's experience offers a motivating case for long-standing investors that are beginning to become more explicit and intentional about gender and specifically bring gender into their investment thesis and processes. For FSSI, this journey included learning about GLI, developing an institutional Gender Action Plan and Gender Committee to drive sustained and coordinated efforts moving forward, and then starting with data— improving the way data is collected, stored, and analysed in order to make better informed decisions as an organisation. With these pieces in place, FSSI is well-positioned to move capital with a gender lens (including investing in WSEs), promote GLI practices with its members, and engage all partners to identify potential entry points for gender lens approaches.

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