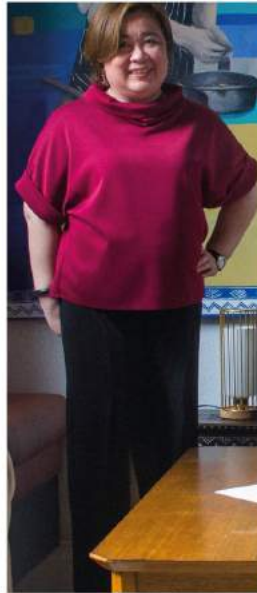




INVESTING IN WOMEN  
SMART ECONOMICS  
AN INITIATIVE OF THE AUSTRALIAN GOVERNMENT



INVESTOR'S JOURNEY IN  
**GENDER LENS  
INVESTING:**

Examples from the field

A NEW, LOCAL IMPACT  
INVESTOR INTEGRATES  
GENDER FROM THE START

Case example:  
**InBest Ventures**  
April 2022



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# I.

## INTRODUCTION

### Case Study Purpose

inBEST Ventures (inBEST) is a new, local impact investor in the Philippines that is pursuing gender lens investing (GLI), motivated by a desire to grow companies in a way that gives equal access to opportunities. This case study documents inBEST'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.

### About inBEST Ventures

inBEST is a local, recently-formed impact investor in the Philippines that provides customised debt, hybrid, and equity investments coupled with business enabling services, aligned to the financing needs of women's small and impactful growing businesses.

### About 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](http://www.investinginwomen.asia).

### About Value for Women

Value for Women (VfW) is a women-led global social enterprise that works closely with partners to design and implement research, technical assistance 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](http://www.v4w.org).

# THE START OF inBEST'S GLI JOURNEY

## A Unique Start: Launch of a Filipino Venture Firm Focused on Women's SMEs

inBEST was established in 2020 by two investment professionals who had extensive finance and social development backgrounds, David Pangan and Toto Camba. They began inBEST with a focus on investing in small and medium enterprises (SMEs) owned or led by women (referred to as “women's SMEs” from here out). They were driven in this focus by what they saw as the market, impact, and funding possibilities.

- **MARKET RELEVANCE:** Though SMEs account for 63.3% of employment and 36% of the Philippines' gross domestic product, loans to micro, small, and medium enterprises (MSMEs) in the country in 2020 comprised only 5.1% of banks' total lending portfolio.<sup>1,2</sup> The formal finance gap of women-owned MSMEs, specifically, is estimated at US\$75 billion.<sup>3</sup> SMEs in the country continue to find that they are too big for microfinance but too small or risky for traditional bank financing, placing them squarely in the “missing middle”. inBEST saw a market opportunity to provide financing to this funding-strapped missing middle.
- **IMPACT OPPORTUNITY:** Through the founders' previous development work, they had developed an appreciation for the transformative impact that can be achieved when women and men have equal opportunities. They read the research that women-led SMEs tend to employ more women than businesses led by men. They also saw, from published data, that in the Philippines there are over 102,000 registered SMEs, of which 99.5% are small enterprises; and more than half of these are women's SMEs.<sup>4</sup>
- **FUNDING OPPORTUNITY:** inBEST saw that funding was available specifically for funds investing in women's SMEs and that gender lens investing (GLI) could be a unique selling proposition for the firm.

<sup>1</sup> OECD/ERIA. [SME Policy Index: ASEAN 2018: Boosting Competitiveness and Inclusive Growth](#). OECD Publishing, Paris/ERIA, Jakarta, 2018.

<sup>2</sup> Asian Development Bank. [Asia Small and Medium-Sized Enterprise Monitor 2021, Volume I—Country and Regional Reviews](#). ADB, Philippines, 2021.

<sup>3</sup> SME Finance Forum. [“MSME Finance Gap.”](#) International Finance Corporation, Accessed February 2021.

<sup>4</sup> Department of Trade and Industry, Republic of the Philippines. [“2020 MSME Statistics”](#). 2020.



Added to this, the timing was right to offer gender lens financing to the missing middle in the country. Between 2017 and 2019, only eight GLI deals were documented in the Philippines based on Intellectap's mapping of the GLI market.<sup>5</sup> Then, in 2020, a large international investor phased out of the country, widening the gap for gender-focused funds. David and Toto looked to take on this gap, and provide funds in a way that would both influence the ecosystem for GLI to stick and prove that a fund situated in the Philippines, working from inside the country and on the ground is possible.

“We are hoping gender lens is not a passing fad that will fade over time. We are really working towards it sticking and seeing the impact take on a longer form.”

- DAVID PANGAN



## How inBEST Operates Locally in the Philippines

inBEST operates through its two legal entities, InBestCap Ventures Holding Inc. and inBestKap Lending Inc. The holding company handles all equity deals and business enabling services while the lending company was set up as a non-banking financial institution to make and manage all the lending deals of inBEST.

<sup>5</sup> Prasad, M., Gokhale, A. & Agarwal, N. [The Advance of Impact Investing in South East Asia](#). Investing in Women & Intellectap. 2020.



## Blended Finance Model Between IW and inBEST

The Macquarie Investing in Women RISE<sup>6</sup> Fund— the IW partnership with the Macquarie Group Foundation —has supported inBEST to promote economic participation of Filipino women and has come to include a specific focus on assisting in the COVID-19 recovery of women’s SMEs in the Philippines. The blended finance grant funding alongside investment capital for 2020-2030 specifically facilitates inBEST’s launch, professionalisation, and investments with a gender lens:

- **Investment capital** for inBEST to make investments (debt, equity, or hybrid) into women’s SMEs in the Philippines;
- **Operational support** to strengthen inBEST’s organisational capacity to invest with a gender lens and fundraise; and
- **Technical assistance fund** for women’s SME investees.

IW, Macquarie, and inBEST agreed that in this partnership, inBEST would aspire towards specific investment targets in women’s SMEs. In addition, inBEST committed to putting in place GLI action plans, developed and monitored with programme support.

## Quick Evolution of Products for Women’s SMEs

COVID-19 created a stifling business environment due to an economic contraction and liquidity crisis, but inBEST still quickly closed deals. Team members attribute this to having quickly evolved the fund’s products to fit clients’ needs. First, they prioritised making products relevant for Filipino women’s SMEs. Initially, the partnership with the RISE Fund focused on serving women with deals from US\$100,000 to US\$300,000 and long tenors, through inBEST’s Strategic Investment Venture (SIV) funding window. However, from the SME profile, market research, and inputs from various entrepreneurs, inBEST realised that the vast number of women’s SMEs in the Philippines were small and interested in lower amounts.

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<sup>6</sup> Responsive Interventions Supporting Enterprises (RISE)

inBEST decided to go down market and make itself relevant to these underserved women's SMEs by segmenting its products. It did this by creating an additional funding window that offers SMEs the type of financing products that in the Philippines are usually only offered to larger companies. This includes equity investment, preferred equity, project financing, and loans with variable interest based on business performance, to name just a few of the ways inBEST may structure deal terms to meet the needs and cash flow conditions of the SME. Called the Business Acceleration Financing (BAF) Facility, inBEST launched it in Q2 2021 and targeted it to meet the capital needs of women's SMEs. Specifically, it targets women's SME suppliers, producers, resellers, and distributors in the value chain of its investee companies and businesses that have good potential to scale up but need time to commercialise operations.



## How inBEST Came Out of the Gate Running

David and Toto self-financed the start of inBEST, with the financial support of friends and family. Their strategy was to provide short-term and flexible financing to SMEs and build up the firm's investment capital through fee-for-services. The latter included fundraising support and agent matching with local capital providers. When they were accepted for funding by the RISE Fund, this accelerated the gender lens inBEST was already pursuing. The RISE Fund capital injection enabled inBEST to consider its approximately US\$8 million GLI SME pipeline for financing by inBEST itself. The new investment firm was able to make multiple deals straight away and end 2021 with investments in 11 women-led SMEs.

BAF has loan sizes between US\$20,000 and US\$80,000, does not require the businesses to be registered as a corporation, and has as a stated priority supporting businesses that are owned and led by women and already in operation for at least a year. By focusing on IRR more than interest rate, inBEST projects its returns based on the full term of its relationship with the SME and is able to offer flexible products. This new window would prime the growth of the inBEST portfolio; 8 of the 13 deals inBEST closed in the first quarter of 2022 came from this facility.

The second element in quickly evolving the fund's products to fit clients' needs was that inBEST looked to respond to the specific financing needs brought on by COVID-19. Initially, given the pandemic, the fund intended to offer long-term products. However, pressing liquidity challenges among SMEs showed the team that smaller, short-term products were also needed by companies to not only continue, but also to recover. This size requirement additionally aligned with the particular needs of women's SMEs. Finally, as a new firm just starting to build up its investment capital and develop traction, the smaller product size would allow inBEST to service more SMEs with the funds it had available and, from there, filter those that can take larger and longer-termed investments with inBEST as they continue to grow.

These pivots are already bearing fruit. inBEST reports a very high collection rate to date of deals closed, and notes that it has found women clients to be particularly easy to work with and responsive to requests for information.

In addition, inBEST reports being able to generate more return from the smaller deals. Despite expenses being equivalent regardless of deal size, inBEST has been able to charge competitive, monthly returns on these smaller deals as they are shorter, with the reduced tenor also reducing risk. The firm expects to generate over twice the IRR for this current funding window than for the previous one.

“This is GLI and it is a different ballgame. We aren't providing capital for the sake of providing capital and getting profits. We are in the business of growing women's SMEs and that goes beyond access to capital.”

- TOTO CAMBA







## inBEST's Financing Windows

As an investor for women's SMEs, inBEST defines this as allocating at least 75% of its portfolio to women-owned or led businesses and applying a gender lens when assessing all SMEs.

### STRATEGIC INVESTMENT VENTURE (SIV):

- **Objective:** Fuel and accelerate the medium to long-term growth objective of women's SMEs.
- **Criteria:** Women-owned or led corporations that have demonstrated viability for at least two years, a clear growth path, are impactful, and are run and managed by responsible and credible entrepreneurs and managers.
- **Financing terms:** US\$100,000 - US\$300,000, 3 - 7 years, as either conventional loan, venture loan (with flexible terms), mezzanine investment, and/or equity.
- **Value-added support:** Specific and specialised business-enabling services to strengthen risk management, marketing and management capacity, and financial management knowledge and systems.

### BUSINESS ACCELERATION FINANCE (BAF):

- **Objective:** Support the short to medium-term liquidity requirements of women's small growing businesses with clear growth ambitions; make women's SMEs more bankable and investable, and start building relationships with the women's SMEs.
- **Criteria:** Have a registered trade and business name with the Department of Trade and Industry and demonstrated robust evidence to scale. Preference for businesses already in operation for at least a year.
- **Financing terms:** US\$20,000 - US\$80,000 loan, up to 24 months
- **Value-added support:** Business enabling services to strengthen business development, financial and risk management, and professionalise policies and procedures to improve compliance and governance.

inBEST aims for 20% of its investment capital to be in Strategic Investment Venture and 80% of it to be in Business Acceleration Finance, by 2027. Its fundraising target for this date is US\$15 million.



## III.

## HOW inBEST DEEPENED ITS PURSUIT OF GLI

### inBEST Listened to the Market

At the start of its journey, the inBEST team referred to the firm as an impact investor with GLI being one of its strategies. Then, it saw that making GLI the firm's main investment strategy would create a unique selling proposition for the company. Additionally, with the RISE Fund's acceleration, inBEST witnessed a strong market sentiment and business case, and good portfolio performance; it saw that many women's SMEs are viable, scalable, and impactful. With these strong financial returns and promising impact, the team was eager to deepen its pursuit of GLI and put its eye to becoming the largest GLI-focused firm in the Philippines.

“We want GLI to be part of our DNA, and this is how we want to distinguish ourselves from other financiers.”

- TOTO CAMBA

## inBEST Then Developed an Explicit GLI Commitment and a GLI Strategy

In 2020, inBEST applied to, and was selected for, Value for Women's Call for Gender Lens Technical Assistance for Entrepreneurial Intermediaries in Southeast Asia funded by the White House-led Women's Global Development and Prosperity Initiative with the Aspen Network of Development Entrepreneurs, the Visa Foundation, and USAID. As a result, between January and August 2021, Value for Women supported inBEST to apply a gender lens approach to its investing processes and capital allocation. With this support, inBEST:



Developed a **Gender Inclusion Commitment Statement** to publicly communicate the firm's commitment to advancing gender inclusion in its work and within the ecosystem. Through this process, inBEST zeroed in on how it wanted to describe and talk about itself on social media and in other spaces.



Developed a **Gender Strategy on how to cascade GLI with investees**. VfW's guidance on how to embed a gender lens into inBEST's social media, marketing, and communications content was instrumental to the firm developing content that more effectively reaches women's SMEs. Furthermore, inBEST now has additional materials it can put in place to make its due diligence process, technical assistance, and metrics gender smart.



Started developing **fundraising messages** that communicate inBEST's vision, mission, and instruments as a gender lens investor.



### inBEST's Gender Inclusion Commitment Statement

"We believe that everyone deserves to be treated equally and be given equal access to opportunities. Hence, gender inclusion is integral in achieving our mission of helping SMEs to grow into impactful and inclusive businesses.

For us at inBEST, making smarter investments means ensuring that gender inclusion is:

- Embedded in our DNA;
- Leading our investment policies and strategy, and decision making;
- Observed in our governance, management practices, operational processes, and decision making; and
- Cascaded in our business partnership-building work.

We commit to promote gender equality by influencing our portfolio companies to follow suit in the best way possible."

Lastly, we will regularly review our gender policy and programme implementation for continual improvement."

### Intention Translated to Capital Allocation and Impact

inBEST's adoption of a formal Gender Inclusion Commitment Statement and Strategy has driven the firm's intentionality around gender. For InBest, these are the vehicles for translating intention into capital allocation. Today, inBEST is committed to deploying at least 75% of its investment portfolio into women's SMEs. Of the 13 deals inBEST closed in the last 16 months, all but one are women led or owned. To date, investees have created 1,181 jobs, 622 of which are filled by women.

Looking internally within inBEST, currently the board is 60% women and the men to women staff ratio is 1:1. In addition, the firm is bringing a gender lens to a review of its hiring and internal procedures and processes.





## Investee Spotlight:



### **Improving the capacity of education financing solution InvestEd to raise lending capital and become gender responsive**

About 76% of employers in the Philippines only hire people with university degrees, even though only 10% of Filipinos have such a degree. University is too costly for many, especially for low income and poor students. InvestEd is fixing this broken education-to-employment system by providing a sustainable education financing solution for adults. As a lending business in the area of subprime microfinancing, InvestEd covers tuition, living expenses, and gadgets for both traditional and non-traditional tracks. This is de-risked by utilising a proprietary AI-driven InvestEd Risk Engine that identifies key metrics on students' capacity to pay in the future. In addition to being a women-owned company, InvestEd's portfolio of borrowers as of 2020 was composed of 63% women.

Through its SIV, inBEST has provided catalytic capital for InvestEd to further raise lending capital and increase its investment ticket size. InvestEd has committed to maintaining a significant percentage of female borrowers on a portfolio level as the company grows and to developing gender-responsive policies and programming.



## Investee Spotlight:



### Improving productivity of investee supplier Normalou Farm

Norma Saltico is a vegetable farmer, vegetable consolidator, and dealer from Northern Luzon, Philippines. She has a 2,600 m<sup>2</sup> organic vegetable farm with five farmworkers and consolidates for smaller farms. She has been supplying various fresh organic vegetables— from leeks to lemons —to one of inBEST’s Strategic Investment Venture investees for the last nine years. This investee distributes organic vegetables to more than 50 supermarkets in Metro Manila; it buys more than 30% of Normalou Farms’ vegetable supplies for this distribution. The inBEST BAF is being used by Normalou Farm to increase its production capacity by improving its facilities and increasing its production area.

## Intention Integrated into the Investment Process

In light of its partnerships and receiving gender support, inBEST now has a clear GLI strategy focused on financing women's SMEs, which includes:

- **Using gender-related questions in the due diligence process.** By using a clear definition of "women-owned or led SME", inBEST is able to identify compliance with this criteria. inBEST also dives deeper to capture companies' strengths and weaknesses on gender, for example asking for sex-disaggregated data on employee roles. This enables inBEST to understand how the SME sees gender and identify if there are critical gender issues that need to be addressed.
- **Engaging all portfolio enterprises to improve gender equality internally and in their business models,** through technical assistance to support them in developing products and services that have a disproportionate impact on women, achieving gender diversity within the company, or having women in the value chain. Today, this begins with inBEST requiring investees to report sex-disaggregated data on board, management, and workforce composition and sign a Safety Code of Conduct. With those receiving SIV, inBEST also requires them to commit to maintaining their women-led status and collaborating to create doable gender-smart policies.<sup>7</sup>

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<sup>7</sup> "Gender smart policies" refers to policies that improve gender equality.

## KEYS TO EARLY SUCCESS

**Cementing a gender lens into the core of inBEST’s investment strategy, and doing this early and explicitly:** inBEST has received pivotal support from IW and VfW along its GLI journey, both when the founders worked for an international impact fund manager before founding inBEST and later as inBEST. Being a young firm starting out with a gender vision facilitated ingraining gender in the firm’s DNA. inBEST attributes this DNA, in turn, to making it more manageable to apply a gender lens despite being a lean team with multiple competing priorities. Finally, inBEST communicates its gender lens to potential investees from day one, and builds this into the investing process from the start (e.g., in the data collected, in the contract); in this way, investees do not feel the gender lens is an imposition.

**Responding to market needs:** inBEST made quick adjustments as it brought its products to market, talking to potential investees, testing product designs, and adapting to what it was seeing and hearing— this meant quickly launching new investment products and complementing long-term products with short-term products. By diversifying in this space of smaller deal sizes, inBEST was also no longer competing with local banks on rates and terms. The team also points to the importance of flexibility for inBEST being able to provide the funding and additional services SMEs need at the moment they need them.

**Being a local company and team:** Finally, the team attributes its early successes to being Filipino— it has been able to ground companies’ market information within the countries’ macroeconomic situation and policy context. It has also been able to ensure that business metrics made sense in the country’s specific COVID-19 policy and health context. Finally, as a local company, inBEST adjusted its lending infrastructure to be compliant with the laws and regulations in the Philippines.





## CHALLENGES & LEARNINGS

**Cash limitations:** inBEST found that through communicating its gender intent to potential and current investors as well as to investees, it was able to do quite a lot with very little resources. For example, strengthening inBEST’s public-facing commitment to gender equality has proven to be a highly resource-effective way of better engaging with and sourcing women-led businesses. This did not require a lot of material resources, just the team’s time to define the strategy and messaging.

**Time limitations:** Even when integrated into the management system, collecting gender-related information during due diligence does imply additional costs. inBEST has worked to keep the data points collected both basic and relevant— with an eye to ensuring that collection is not a burden for investees. Today, investee sex-disaggregated data collected by inBEST consists of: ownership, board membership; top management; workforce; and, if relevant, suppliers.

**The role of men in GLI:** David and Toto have faced biases against GLI done by men. Yet both genders are needed for GLI to work. Initially, inBEST had trouble positioning itself as a women-focused impact investor since it did not yet have a portfolio to demonstrate this. It overcame this challenge by first engaging with Investing in Women, an investor focused exclusively on investing in women’s SMEs that the co-founders already knew. Then, inBEST built out its portfolio and GLI statement and strategy, at which point it went full steam ahead into fundraising. Throughout this process, both co-founders have made a concerted effort to work against their inherent biases, and often find grounding with their female partners.

Additionally, inBEST has found that some applicant businesses that are not women-led report feeling excluded. inBEST uses this as an educational moment, explaining why the firm does GLI and the importance of this.

“You are not taking away from him but instead giving access where it is needed and where the gap is. We supply that gap with the funding.”

- DAVID PANGAN

## VII.

# ASPIRATIONS & FUTURE GLI OPPORTUNITIES

For InBEST, what began with a strong lens on investing in women's SMEs has evolved to include looking at gender in the investment process and, today, gender diversity in the firm. How widely inBEST wants to apply a gender lens is a forthcoming decision, and may be partially influenced by investor interest. For now, its next step will be to provide gender-inclusion technical assistance to investees.

“We work with our investees to promote gender in the companies. We include in our contracts with them that they need to include a gender policy, but we would like more help on cascading it down.”

- DAVID PANGAN





## VIII.

# CONCLUSION

inBEST has achieved a strong start to its gender journey in a short time and a uniquely complicated context. Today, it has successfully translated intention to capital allocation, achieving initial strong portfolio quality that is beginning to break the notion that a deal has to be big to be "worth an investor's time", and showing potential for scale. inBEST is also demonstrating that this can be done by a local firm. As inBEST works to reach its 10-year target of investing in 114 companies in a way that gives equal access to opportunities, it now has additional tools to do so. And it is showing that men investors play a vital role in achieving gender equality.

"GLI can be a good strategy for advancing financial inclusion.... And it's a good way for increasing your market relevance. At the same time, it is a good way to improve risk management. We observe that women pay."

- TOTO CAMBA

"Gender lens investing needs the participation of all genders for it to become mainstream."

- DAVID PANGAN

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