

BUILDING THE MARKET FOR GENDER LENS INVESTING – INSIGHTS FROM MARKET ACTORS

Summary note

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INVESTING IN WOMEN
SMART ECONOMICS
AN INITIATIVE OF THE AUSTRALIAN GOVERNMENT



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This note draws on research commissioned from DevLearn by Investing in Women. It was written by Naomi Falkenburg. Views expressed are not necessarily the views of the Australian Government. Photo by Ryan McVay from Getty Images.

Building the Market for Gender Lens Investing – Insights from Market Actors

Summary note

Investing in Women (IW) promotes the adoption of gender lens investing (GLI) practices and principles in collaboration with its market building partners. These partners aim to create an ecosystem that works towards the common goal of increasing action on GLI and work on different fronts to achieve this: raising awareness of GLI, building capacity in GLI, crafting a shared vision for GLI, and connecting people to foster mutual learning and create relationships that will lead to action.

This note draws on research undertaken to understand how other GLI market actors view the contribution of IW and its partners to the GLI field in Southeast Asia; what challenges and opportunities for GLI exist in the region; and how IW's next phase may approach future market building work. It is based on interviews with IW's impact investing team and representatives of market actors in the region working to advance the GLI field through their own expertise and initiatives, including development finance institutions, foundations and specialized advisory firms.

Key insights from market actors

1. IW's market-building role

IW's contribution to increasing awareness and capacity for GLI through its market-building role is widely acknowledged. IW support to produce GLI resources and tools has been important to the development of the field, in Southeast Asia and beyond. This content has played a role both in raising the awareness of actors who are new to GLI and supporting the continued learning of more experienced practitioners. The program has normalised GLI in the region by incentivising regional market building partners to adopt a gender lens and has helped ensure Southeast Asia is represented in formative conversations about GLI at the global level. With its GLI Fellowship Program, IW has pioneered GLI education initiatives in Southeast Asia.

Market actors expect IW's work with its impact investing partners to stimulate the region's GLI market. IW's technical assistance to partners to integrate a gender lens through its direct market intervention is seen as a critical first step to GLI becoming more

normalised. The benefits include influencing other investors in the funds IW worked with to consider gender and the potential for the investment professionals who were involved to transmit their knowledge to other fund managers. IW also enabled funds to develop a track record, which contributes to de-risking investments in Southeast Asia by showing success is achievable. Market building work will continue to be important to reinforce these ripple effects by demonstrating success stories from direct market interventions.

Multi-level action, a hands-on approach and adaptability were key to the success of IW's market building work. Firstly, IW's mix of global, regional and country-level partners allowed the program to develop greater awareness of GLI, build the profile of DFAT as a leader in GLI and shape the evolution of the field. Secondly, IW's impact investing team's active and collaborative approach is appreciated by partners, with whom IW has built strong trust-based relationships. Thirdly, the program has demonstrated adaptive management by, for example, maintaining operational flexibility during the COVID-19 pandemic. Finally, in 2022, IW began to explore how larger pools of capital outside of the impact investing space may be influenced to adopt GLI practices and principles. Looking ahead, further adaptation may include matching new market building partners to the forward strategy as it evolves, such as partnering with organisations who can convene more mainstream investors while addressing the complex technical aspects of GLI.

2. Opportunities and challenges for GLI in Southeast Asia

GLI is still nascent in Southeast Asia but there are reasons for optimism. COVID-19 was a temporary setback for gender lens investing that has not irreparably harmed the development of the field. Compared to 2017-2019, the period of 2020-2022 saw growth in the GLI market and stability in the impact investing market. While DFIs continue to play an important role in the market, Southeast Asia has comparatively more private investments than other regions. Market actors believe Southeast Asia's GLI market is more private sector driven, which bodes well for its long-term sustainability. Another promising trend is an increase in Asian women wealth holders, which has the potential to drive momentum for gender lens investing.

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There are signs that gender is becoming more important among mainstream investors in public and private markets, but gender lens adoption is in its early stages. There are signs of growing attention to gender in public markets in the Asia-Pacific region. Gender is also becoming a more frequent topic of interest among fund managers, asset owners, limited partners and industry media, usually as a subset of a larger diversity and inclusion lens. Where gender has made it to the mainstream, its integration is in the early stages: it is often still seen through the prism of compliance or narrowly focused on hiring female investment professionals.

Attitudinal and structural barriers to the development of GLI remain hard to shift. Misconceptions about GLI and unhelpful mindsets abound: gender is often seen as a philanthropic field rather than a true commercial opportunity; many investment professionals still believe adopting a gender lens poses a risk; and unhelpful gender biases persist that are creating hurdles for women entrepreneurs. A disconnect between available GLI products and demand is a barrier for both investors and women founders, while ticket size is another persistent problem for investors.

Using appropriate language and incentives can lower the barrier to entry, but direct technical assistance remains a necessary tactic complementary to market-building. GLI market-builders need to tailor their message to make GLI more approachable for newcomers (particularly male). GLI outreach and education for mainstream actors, meanwhile, needs to focus on the business case and relatable examples. While outreach and education are important tools for GLI market-building, direct support to investors for gender lens integration will continue to be necessary: investors may be genuinely open and interested in becoming gender smart but lack the resources to develop their own capacity, especially in economically challenging times.

The care economy and climate investing are opportunities to boost GLI, but there is still more interest than action. In Southeast Asia, the care economy is not yet on the radar as an obvious investment opportunity and large deals in this sector are unlikely to materialise for some time. Climate change is currently a more popular investment theme than gender. Integrating a gender lens in climate finance-related vehicles is a potential growth opportunity for GLI. As a technically complex field, however, it will likely take time

and effort for gender-smart climate investing to gain momentum.

Recommendations for building further on IW's work

- Shift tactics to target mainstream investors while drawing on lessons learned about effective awareness-raising and the relationships already established with expert partners.
- Consider acquiring new kinds of partners to reach mainstream audiences, such as: mainstream investing conferences; industry associations; media organisations; professional networks of women in PE or VC; and other organisations that engage in GLI market-building in the region.
- Hire human resources with experience in the mainstream investing space.
- Establish market-building partnership frameworks by setting new selection criteria for potential partners; considering potential MBP conflicts of interest; and tailoring funding arrangements to the partner.
- Facilitate the participation of investing partners in market-building events.
- While refocusing on mainstream investors, continue supporting the established GLI community.
- Disseminate financial results and lessons learned from IW's portfolios.
- Consider building capacity in the region to help bridge the gap between finance and gender for investors.
- Engage in emerging conversations about the care economy and climate/gender investing.