

GENDER LENS INVESTING: LESSONS FROM IMPACT INVESTING PARTNERS

SUMMARY NOTE, JUNE 2023

Investing in Women (IW) works with impact investing partners (IIPs) to strengthen access to finance for women-owned and -led small and medium-sized enterprises (women's SMEs) in Southeast Asia and to build a business case for a more inclusive investing environment globally. This research uses evidence provided by eight IIPs who disclosed their experiences, learnings, and challenges in the gender-lens investing (GLI) space in Southeast Asia to provide insights into the IIPs' experience integrating gender in their investment strategies and investing in women's SMEs, understand the current GLI market, and provide recommendations for future GLI initiatives.

Key findings

1. Impact investing partners' progress and plans

IIP's progress in integrating GLI strategy into their investment strategy is evident, with three IIPs raising new GLI funds. This spillover effect from the IW program is also seen within the organisations themselves, as IIPs have implemented more gender-related policies, and have seen growth in the percentage of female employees since starting the IW program.

The percentage of women-led SMEs across partner's firm-wide portfolio has shown an upward trend since the IW program intervention, with the largest changes occurring in VC-type investors. IIPs have achieved significant private sector leverage for their women-led investee companies, crowding in an additional \$260m AUD in capital by February 2023, representing an average leverage ratio exceeding 17x. (If one particularly successful outlier investment is excluded from calculations, the average leverage adjusts to 5.7x.)

Post-IW programming, IIPs are committed to providing comprehensive support to their investees, focusing on various aspects such as scaling up, adapting to market shocks, and continuous capacity building. They are also expanding their GLI integrations beyond the IW portfolio and experimenting with different strategies to enhance GLI in Southeast Asia more broadly. Furthermore, IIPs are pursuing ambitious fundraising goals and launching new funds, thanks to the experience and track record gained through the IW program.

2. The GLI market in Southeast Asia

IW has positively influenced the GLI landscape in Southeast Asia, making it more recognized and practiced among the investment community. However, partners still face hurdles when raising funds due to uncertain macroeconomic situations and the need for further education on the benefits of GLI among capital providers. Despite current macroeconomic shocks like high inflation, some partners have found opportunities to thrive

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3. IW's impact on impact investing partners

IW's blended finance has greatly impacted IIPs by attracting additional capital, supporting effective implementation of GLI strategies, and providing catalytic funds to reach women-led SMEs. IIPs have utilized the funds to explore and identify more effective financial tools and technical assistance approaches for women-led SMEs. The operational support allocations have helped to partially cover expansion costs and development of GLI policies, processes, and activities. Technical support to investees included post-investment support on financial and business processes, as well as some pre-investment support to help build the pipeline of women-led businesses. The GLI technical assistance provided by IW's technical partners has played a pivotal role in integrating GLI in all aspects of the firms.

IIPs' have successfully implemented GLI strategies across a number of areas. Overall, IIPs have shown substantial progress in the areas of investment process, investment strategy and organisational change – areas where technical assistance provided by IW has particularly focused. Other areas where some partners have excelled and others can make subsequent improvements include use of data and metrics, and acting as industry champions for GLI.

Recommendations

To further unlock intentional capital for women's SMEs, future GLI programming in South East Asia can help bring investors, capital providers and women's SMEs together through:

- Maintaining flexibility in financial and technical assistance tools to better accommodate the diverse needs of women-led SMEs.
- Further strengthening the GLI community through increased engagement and collaboration to enhance shared knowledge and resources, especially with potential Limited Partner investors.
- Continuing to work on improving investment-readiness in the market by expanding pre-investment technical assistance, fostering more collaboration between support organisations and financiers.

This note draws on research commissioned from DevLearn by Investing in Women. It was written by Sarah Burns. Views expressed are not necessarily the views of the Australian Government.

