

# Investing in Women Pathway 2 Mid-term Review



*Incentivizing and catalyzing access to capital for women-led or owned small and medium enterprises (WSMEs) in the Philippines, Indonesia and Vietnam*

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The opinions expressed in the report are those of the authors and do not necessarily reflect the views of the Australian Government or Investing in Women

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## Context

### Background

Investing in Women (IW) is a seven-year, AUD 102m (USD 76m)<sup>1</sup> initiative of the Australian government's Department of Foreign Affairs and Trade (DFAT). The program catalyzes inclusive economic growth through women's economic empowerment in Southeast Asia. Investing in Women tackles one of the most critical social and economic issues of our time: gender inequality. Women's economic empowerment is not only a fundamental aspect of promoting gender equality, but it is vital to enhancing business competitiveness, fueling inclusive economic growth and building equitable societies.

The program commenced in April 2016 with Phase 1. IW's Phase 1 was reviewed in 2018, resulting in a design refresh for Phase 2. Phase 2 commenced in 2019 and continues through June 2023. DFAT has now initiated a mid-term review (MTR) to assess the program's progress since the start of Phase 2 and to determine the rationale and options for a potential new women's economic empowerment program after June 2023.

### Program overview

Investing in Women uses innovative approaches to improve women's economic participation as employees and entrepreneurs, and to influence the enabling environment to promote women's economic empowerment in the Philippines, Indonesia, Vietnam and Myanmar<sup>2</sup> through three Pathways:

- **Pathway 1 – Workplace gender equality (WGE):** Investing in Women supports Business Coalitions (BC) that work with influential businesses on shifting workplace cultures, practices and policy barriers to achieve workplace gender equality
- **Pathway 2 – Impact investment for women's small and medium enterprises (WSMEs):** Investing in Women partners with impact investors and ecosystem builders to expand market opportunities for women, to incentivize and catalyze access to capital for SMEs that are led by and responsive to the needs of women
- **Pathway 3 – Influencing gender norms:** Investing in Women works with partners to positively shift attitudes and practices to support women in the world of work

In collaboration with corporations, business leaders, impact investors, entrepreneurs and advocates, IW is working with those driving change for women's economic equality in the region. IW supports the Sustainable Development Goals (SDGs) 2030 Agenda and the leveraging of private sector investments to achieve these goals. The SDGs recognize that gender equality is an essential human right and a necessary foundation for peaceful, prosperous and sustainable societies.

### Pathway 2 – Impact investment for women's small and medium enterprises (WSMEs)

Investing in Women's Pathway 2 partners with impact investors to strengthen access to finance for women-owned and women-led SMEs in the Philippines, Indonesia and Vietnam, and to build a business case for a more inclusive investing environment globally.

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<sup>1</sup> Currency conversion rate used on 12<sup>th</sup> July 2021: 1 AUD = 0.7488 USD

<sup>2</sup> Pathway 2 did not make any investments in Myanmar

Women, much more so than men, face barriers to securing the financing they need to grow their businesses. Women-led companies get small proportions of venture funding, even though companies with at least one female founder perform significantly better than all-male founder teams. In 2020 only 2.3% of venture capital funding went to women-led startups; this proportion decreased from 2.8% in 2019.<sup>3</sup> IW's Pathway 2 is working to change this.

The financing gap for women-owned and women-led SMEs does not just affect women – it affects entrepreneurship, investment and economic growth across nations and economies. According to the IFC, SMEs make up 98% of all businesses and provide jobs for 66% of the labor force in Asia. Women-owned SMEs represent between 31% and 38% of all SMEs in emerging markets. Closing the financing gap will help businesses and economies grow while allowing impact investors to capitalize on this significant market opportunity.

IW catalyzes the market for investments in women-owned or women-led SMEs through direct market interventions. The program uses blended finance instruments that provide investment, operational support and technical assistance. At the same time, Pathway 2 seeks to strengthen the ecosystem for impact investing with a gender lens, through industry advocacy, field building and demonstrating the business case for gender lens investing (GLI).

By building a solid business case, IW aims to give impact investors globally the confidence and the practical tools to invest in WSMEs, increasing their access to capital and driving economic growth overall.

## **| Executive summary**

Investing in Women (IW) is a seven-year, AUD 102m (USD 76m) initiative of the Australian government's Department of Foreign Affairs and Trade (DFAT). The program catalyzes inclusive economic growth through women's economic empowerment (WEE) in Southeast Asia and tackles one of the most critical social and economic issues of our time: gender inequality.

Investing in Women's Pathway 2, "Impact investment for women's small and medium enterprises" [WSMEs], has partnered directly with impact investors to strengthen access to finance for WSMEs in the Philippines, Indonesia and Vietnam, and to build a business case for a more inclusive investing environment globally.

Pathway 2 provides its investing partners with capital and tailored support through its "Capital+" model, which not only increases investment into WSMEs but also embeds gender lens investment practices across a partner's organizational and investment processes. By empowering women entrepreneurs and creating visible success cases, the program contributes to IW's overall goal of women's economic empowerment. In parallel, Pathway 2 has partnered with some of the most influential and well-networked market-building partners in the gender lens investing (GLI) space: GenderSmart Investing Summit (GSIS), Asia Venture Philanthropy Network (AVPN), Impact Investing Summit Asia Pacific, and Value for Women (VfW). These partners play a market-building role in creating awareness, building capability and advocating for the deployment of capital with a gender lens.

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. Between 2007 and 2016, private impact investors had invested in 111 deals in the target countries; 37% were with an

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<sup>3</sup> Harvard Business Review – "[Women-led startups received Just 2.3% of VC Funding in 2020](#)"

intentional gender lens. In contrast, they made 99 deals between 2017 and 2019, and 42% of these were with an intentional gender lens.<sup>4</sup> 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.

Pathway 2's Capital+ model has successfully allowed its partners to customize the support they need and make the best use of the available budget. This model has helped to build a strong portfolio of 40 WSMEs. Of these, only one has ceased its operations – despite the many challenges created by the COVID-19 pandemic. In addition, the Pathway 2 team leveraged their learnings from Phase 1 to update their partnership strategy in Phase 2, partnering with earlier-stage investors with a stronger local presence and piloting innovative funding structures like the Beacon Fund and Biduk, aimed at better meeting the needs of WSMEs in the unique context of this region.

Market-building partnerships have allowed Pathway 2 to expand GLI awareness in Southeast Asia and Australia while also building strong capabilities. GenderSmart, AVPN and Impact Investing Summit are helping to drive Pathway 2 towards its end-of-program objective of increasing intentional gender lens investments in the region by leading the advocacy and amplification of GLI. In tandem, Value for Women is collaborating with investing partners, helping them to design and implement GLI strategies, frameworks and toolkits, and often providing critical content, reports and case studies to the other partners for amplification. Other impact investors in the region are already beginning to use these tools to sharpen their own GLI frameworks – and we expect usage to grow.

This program has created a strong foundation that provides Australia and DFAT with the experience and credibility to take WEE to the next level in Southeast Asia, while continuing to successfully build the case for gender lens investing. However, there is still much work to be done. The private capital continuum in the program's target countries is under-funded and has critical gaps, especially for impact investing. With the exception of the Emerging Markets Impact Investment Fund (EMIIF) – which is just making its first fund investment – there is little impact investing capital in the region at any scale. GLI is far from mainstream and much larger amounts of capital continue to be invested without a gender lens. This capital must integrate gender considerations if women are to ever fully reach economic empowerment. In addition, some impact capital providers have pulled out of the region in the last few years. This macro environment could put the impact and legacy of the current program at risk if DFAT or another player does not continue to actively advocate for and support GLI and WEE.

To avoid this risk and indeed to further accelerate WEE in the region, DFAT has a compelling reason to envision “what's next” and lead the charge for women's economic empowerment in Southeast Asia. A program like Investing in Women is uniquely positioned to continue this work.

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<sup>4</sup> Source: Intellectap – [“The advance of impact investing in Southeast Asia”](#)

## | Relevance of the program

### Program's alignment with DFAT policies and its role in expanding the influence of Australia

Southeast Asia has experienced an increase in the number of women joining the workforce in the last few decades. Female workforce participation stands at 42%, which is higher than the global average of 39% but has stagnated in previous decades.<sup>5</sup> Despite this increase, significant gender disparities persist in the private sector. Women entrepreneurs continue to face significant challenges, with access to finance being the largest one. The financing gap in the region is substantial for both men and women, but multiple layers of gender-based barriers often combine to disproportionately restrict women's access to capital. Only 5-6% of women-owned microenterprises and 12-15% of women-owned small firms have adequate access to financing in the ASEAN countries<sup>6</sup>. Pathway 2, focused on providing growth capital to WSMEs, tackles a very significant roadblock to women's economic empowerment.

DFAT's Gender Equality and Women's Empowerment Strategy has three priorities:

- Enhancing women's voices in decision-making, leadership and peace-building
- Promoting women's economic empowerment
- Ending violence against women and girls

Investing in Women was designed to promote the second priority: women's economic empowerment (WEE). The IW program nicely fits the guidance to integrate gender equality into DFAT's aid for trade and commerce, recognizing that WEE is a crucial driver of economic growth and prosperity. The first priority focuses on enhancing women's voices in decision-making and leadership. Investing in Women addresses the financing gap for women-owned and women-led SMEs and therefore directly addresses this priority within the private-sector business context. This priority highlights that "female leaders tend to deliver stronger financial performance." Investing in Women is building a business case to prove this exact assumption. The third priority focuses on "ending gender-based violence against women and girls." While Investing in Women does not directly focus on this priority, ample research highlights women's economic empowerment as the most critical tool in combating gender-based violence.<sup>7,8</sup> To advance women's economic empowerment, Pathway 2 has taken a GLI strategy that provides capital to WSMEs. DFAT's policy has a broader approach and includes support on topics like:

- Assisting women in value chains
- Promoting women's advancement in the private sectors
- Supporting women in supply chains
- Supporting sectors where women workers dominate
- Supporting products and services for women, etc.

Hence, for the future WEE program, Pathway 2 could consider expanding the definition of GLI to align with other DFAT women's economic empowerment priorities and the definition of GLI used by other DFAT blended finance

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<sup>5</sup> Source: BCG – ["Moving towards gender diversity in Southeast Asia"](#)

<sup>6</sup> Source: ADB – ["Emerging lessons on women's entrepreneurship in Asia and the Pacific"](#)

<sup>7</sup> World Bank – ["Economic empowerment to address gender-based violence"](#)

<sup>8</sup> OXFAM – ["Exploring the impacts of women's economic empowerment initiatives on domestic violence"](#)

programs, such as EMIIF. Australia’s (and DFAT’s) COVID-19 response<sup>9</sup> has led to two significant developments that are relevant for Pathway 2. Firstly, Australia plans to reshape its development program to focus more on the Indo-Pacific and, significantly, Southeast Asia. This is aligned with Pathway 2 as it only focuses on this region. Secondly, DFAT will concentrate its efforts in the highest priority areas: health security (which also includes food security), stability and economic recovery. In response, Pathway 2 has identified three priority investment areas: healthcare, agriculture/food security, and technology platforms, moving away from its policy of being impact-agnostic. The three investment areas are very much aligned with DFAT’s policy: the importance of healthcare, agriculture and food security is specifically highlighted in the DFAT policy, and the technology platforms will help with the recovery process by making SMEs more efficient and mitigating many of the challenges they face due to the pandemic.

Pathway 2 has done an excellent job of expanding Australia’s and DFAT’s influence, both in the region and globally. Within Southeast Asia, most impact investors and development institutions are aware of Pathway 2’s work and consider it a great example of how effectively blended finance instruments can catalyze private sector capital for development goals. Globally, GLI investors and most development finance institutions (DFIs) know about Pathway 2’s work and use the frameworks, tools and case studies created by the program or its partners. Multiple global and Asia-focused reports on GLI highlight Pathway 2’s work and Investing in Women’s role in seeding and developing Southeast Asia’s gender lens investing ecosystem.

In addition, Pathway 2 has been able to create a platform for senior DFAT leadership and Australian ambassadors to publicly engage on GLI and related topics in global and regional summits. This has also created public diplomacy opportunities for DFAT.



**Exhibit 1:** Videos of Ms Julie-Ann Guivarra (Ambassador for Gender Equality) and H.E. Steven H Robinson AO (Australian Ambassador to the Philippines) talking about GLI related topics.<sup>10</sup>

Even though it is not often publicly acknowledged or written about, the Pathway 2 team has leveraged its position as an early mover in the GLI space to guide and influence global developmental institutions and impact investors. Leading aid agencies, development finance institutions and foundations have directly or indirectly been influenced by Pathway 2 to add or expand gender lenses to their investments. Pathway 2 has also partnered with other GLI ecosystem builders in the region, like the Sasakawa Peace Foundation and the Asian Development Bank (ADB).

<sup>9</sup> Source: [Partnerships for Recovery: Australia’s COVID-19 Development Response](#)

<sup>10</sup> [Link](#) to the videos of Ms Julie-Ann Guivarra and [Link](#) to the video of H.E. Steven H Robinson AO

## Recommendation

- **Further amplify the program's success:** The Pathway 2 team has led a successful GLI program. Well known among impact investors in the region and global GLI investors, there is an opportunity to further build on this success. The program could expand its communication and engagement efforts to include global impact investors, commercial investors and institutional investors that are investing in the region and are considering or 'open to' investing with a gender lens, increasing DFAT and Australia's influence globally and in Southeast Asia. This could result in significantly larger amounts of capital being invested with a gender lens within the region. This would likely require additional PR, communications, or amplification resources

## | Program effectiveness

### Investing partnerships

Partnering directly with impact investors, Pathway 2 provides the capital and support ("Capital+ model") necessary for the impact investing ecosystem to empower women entrepreneurs and business leaders, thus contributing to the overall goal of women's economic empowerment.

Pathway 2 has been predominately providing investment capital to stimulate the GLI market in the three target countries, Indonesia, Vietnam and the Philippines, to leverage more private capital over the long term. Pathway 2 provides funding to establish blended finance structures that de-risk investments to address the financing gap for women-led SMEs, particularly at early and growth stages. The investment capital remains programmatically active over ten years.

Pathway 2 also offers operational support capital to address the challenges of setting up dedicated investment vehicles. This could include funding for direct (sourcing, closing, and monitoring deals, etc.) and indirect (staffing, impact measurement, fund administration, etc.) operational costs.

As well as this, Pathway 2 provides technical assistance (TA) for the women-led SME investees as part of the grant support. Areas of TA support may include: financial management; marketing and sales; impact measurement; analysis; learning and communication; quality control and management; human resource management; and other relevant activities to help entrepreneurs scale. Providing TA support to prospective women-led SME investees is crucial and has helped some investors build a robust portfolio. In addition, post-investment support has been crucial for value creation.

During Phase 2, Pathway 2 started providing advisory support to investing partners via Value for Women, to improve the gender-lens capabilities of the partners. Value for Women has been assisting investing partners in creating individual GLI action plans and specific GLI tools for these partners.

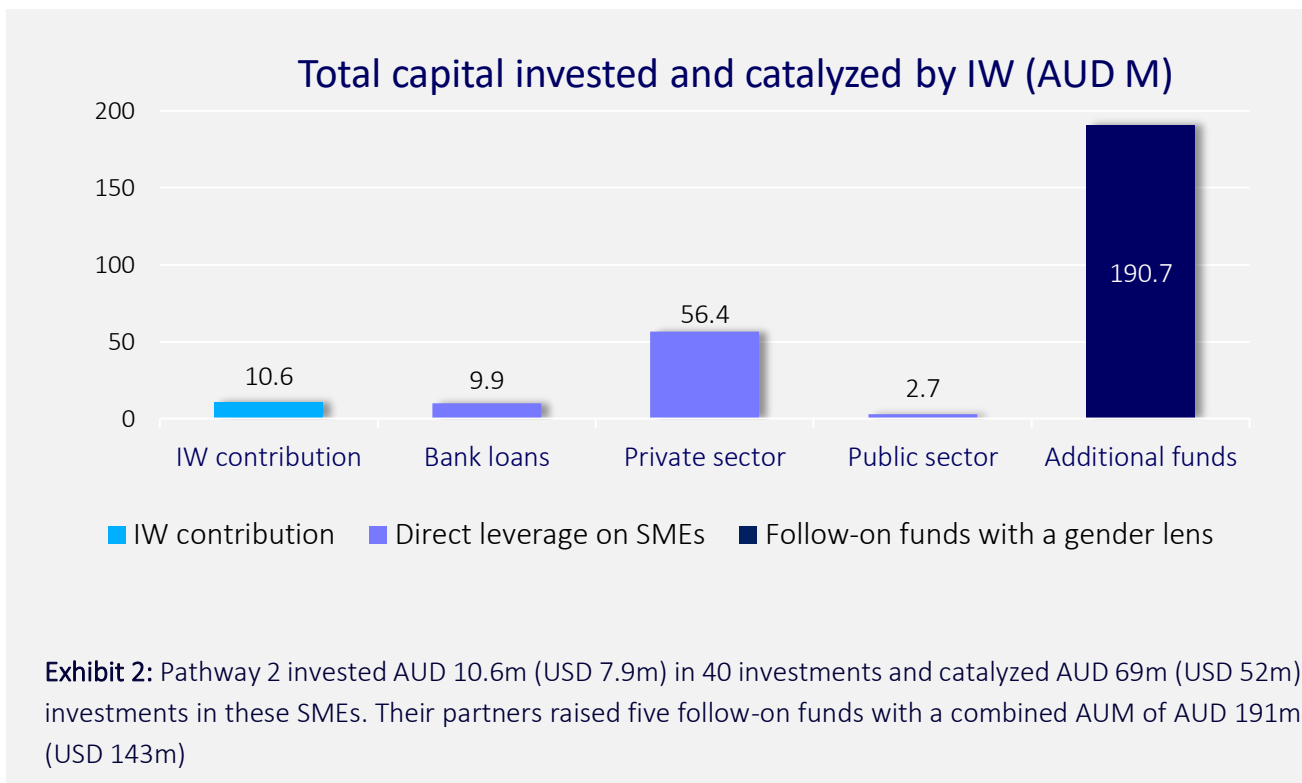
We find the Capital+ model introduced by Pathway 2 to be a highly effective and successful tool in building the foundation for GLI in Southeast Asia. The Capital+ model provided not only growth capital for WSMEs, but also



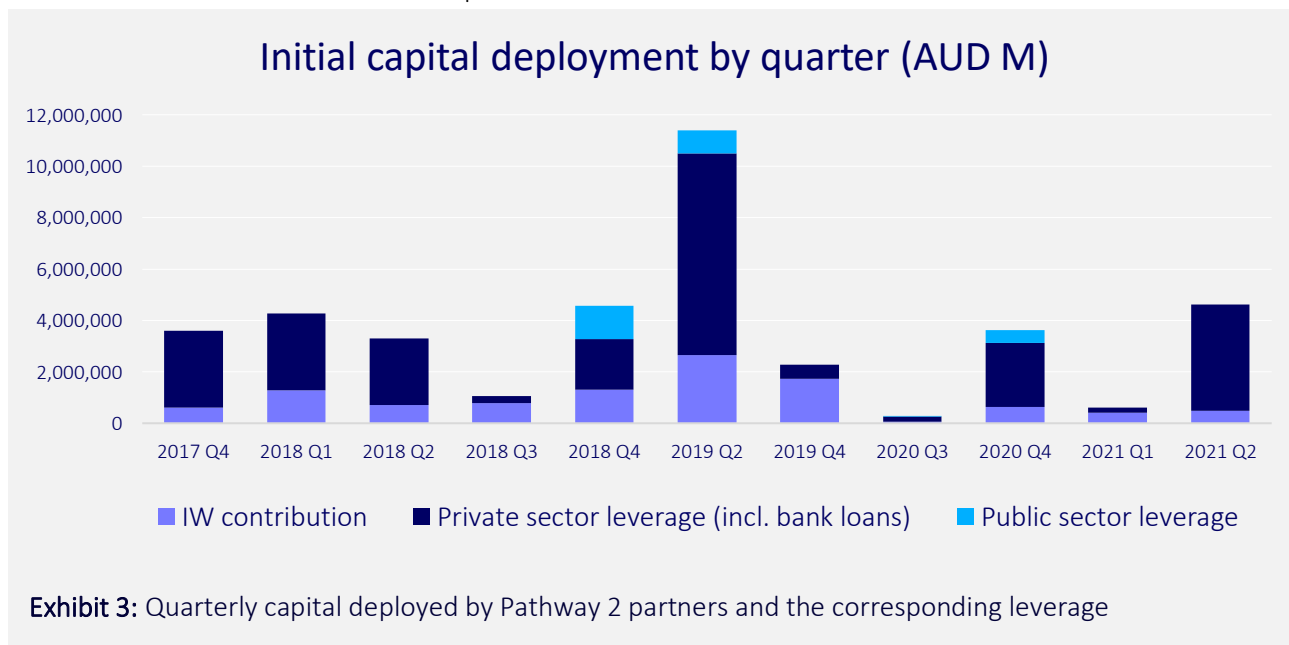
funds the capacity building of investing partners to source, invest in and support WSMEs. Further, the Capital+ model has enabled investing partners to introduce and improve gender lens practices within their organizations.

Other key achievements include:

- **Pathway 2 has initiated the business case for investments in WSMEs**, having already catalyzed 40 investments and 5 follow-on gender lens funds. This created awareness of GLI in the region, especially among impact investors, and resulted in 6.5x average leverage of IW capital



- **Pathway 2 has created a diverse and innovative portfolio of investing partners.** Each Phase 1 and Phase 2 partner is different in terms of their investment thesis, stage of investing, and type of instruments used, as well as geographical focus. This has allowed IW to test different approaches and draw a broader set of learnings on how best to support WSMEs. Further, the Phase 2 strategy focused on partnering with local investors, which allowed for continuous deployment of investable capital despite the COVID-19-related travel restrictions in place



## Phase 1 partners

In Phase 1, Pathway 2 developed partnerships with four global and renowned impact investors:

- Round 1: Patamar Capital and the Small Enterprise Assistance Funds (SEAF)
- Round 2: Capital 4 Development (C4D) Partners and Root Capital

### *Gender impact*

All four Phase 1 partners have made significant changes to their investment strategy and have applied a strong gender lens to their investment process and portfolio management. This was only possible because of the advisory support provided by Investing in Women. Examples include:

- Patamar incorporated a gender analysis toolkit to formulate questions for due diligence. Furthermore, Patamar Capital launched the AUD 65.2m (USD 50m) Beacon Fund that invests exclusively in women's SMEs in Pathway 2 target countries. Patamar traditionally invests through an equity instrument; however, the Beacon Fund will offer more flexible investment approaches and structures to serve the WSMEs that do not follow the venture capital fast-growth model. This builds on Patamar's work with IW and demonstrates the anticipated market opportunity. IW has provided additional operational support funding, matched on a 1:1 basis, with Patamar to cover set-up costs including legal, accounting, investment structuring, fundraising and general administration
- SEAF created the internationally recognized Gender Equality Scorecard© (GES©) that has also been implemented across the organization, spanning eight funds deploying over AUD 170m (USD 120m) globally. Three of these funds also invest in Southeast Asia and have raised significant capital to deploy with a gender lens
- Root Capital, which started the IW partnership with existing gender lens expertise, has committed to investing in over 25% of women-led businesses in their regional portfolio (up from 16% in 2019). Their global target is 50% women-led companies in their portfolio by the end of 2021. IW has also helped Root Capital hire a consultant to analyze the social and business performance of the women-led and gender-inclusive businesses in their portfolio. This analysis sought to build the case for investing in women and/or help identify ways to continue to support women entrepreneurs and gender-inclusive businesses to grow and strengthen their businesses. Root Capital also goes above and beyond in supporting current investees by developing and implementing a women-specific financial management training curriculum that supports a culture of leadership for women working in smallholder farming enterprises

IW's advisory support has helped the partners improve their gender-smart practices and improve gender diversity within their own organizations. For example, Root Capital trained its staff to engage more effectively with WSMEs and identify and attract more WSMEs. They also updated their 2025 strategy, where one of the three pillars now focuses on gender and diversity. C4D improved the gender diversity of their investment committee (from 0 women to 2, of 7 total) and increased the gender diversity of their team. Additionally, they have aligned investment team incentives with the gender outcomes of the fund.

## *Financial performance*

Overall, Pathway 2's investments in Phase 1 partners have been catalytic. Phase 1 partners have deployed AUD 10.2m (USD 7.6m) across 30 WSMEs. These WSMEs have also raised AUD 54.2m (USD 40.6m) in investments from other private sector investors, resulting in a 5.3x private sector leverage. In addition, these investing partners have mobilized AUD 2.7m (USD 2.0m) from other public-sector investors and access to credit of AUD 9.9m (USD 7.4m) from government-backed banks for these WSMEs. It is too early to measure the financial returns of the partner's investments, especially since they are not yet at the lifecycle stage to exit. However, the high private-sector leverage can be treated as interim evidence that investing with a gender lens produces quality investment opportunities and can attract private-sector commercial investors. This contributes to IW's long-term goal of including the broader investor community.

Patamar Capital has built the most extensive proof-of-concept portfolio of 15 companies utilizing the IW capital, creating a mix of early-stage and growth-stage WSMEs across Indonesia, Vietnam and the Philippines. They have also leveraged the largest number of private-sector investments. Patamar has successfully run the Women's SME Acceleration Program in Indonesia in partnership with Kinara, using IW's TA facility. One of the graduates, Sayurbox (an online grocery), raised significant follow-on rounds. None of the 24 companies graduating from the program have suspended operations or shut down during the COVID-19 pandemic – a commendable feat for these early-stage companies.

SEAF has made slightly later-stage investments into six WSMEs across Indonesia, Vietnam and the Philippines. SEAF leveraged much less in private-sector investments. SEAF appreciated the operational support provided by IW as it allowed them to hire additional resources. SEAF believes that the TA facility is one of the most impactful aspects of the partnership, as most SMEs in the region require both pre- and post-investment support in areas such as financial management or HR practices. SEAF has recently decided to exit from the region. The exit decision was unrelated to the IW program and the Pathway 2 team is working with the SEAF team in the region on implications for the portfolio.

C4D has invested in six growing WSMEs in Indonesia and the Philippines, with a clear social impact on the livelihoods of marginalized communities. They have achieved private-sector leverage far surpassing the Pathway 2 team's expectation of 1-2x.

Root Capital has made three investments in coffee cooperatives in Indonesia with a 4.1x private-sector leverage. Using the investment capital as loan-loss support has catalyzed their ability to reach women-led businesses that show significant growth and impact potential but were otherwise too early-stage to qualify for Root Capital's financing. Root Capital's investments are deeply impactful as the investments that they make usually provide the first commercial loan to a business, giving it the jump-start it would likely otherwise not have received. Root Capital was mandated to invest in Indonesia and Pathway 2 supported them in conducting market exploration and expansion research covering Philippines, Vietnam and new regions in Indonesia. Based on the research findings, Root Capital decided against expansion to the Philippines and Vietnam and continued to concentrate their efforts in the coffee value chain in Indonesia.

## Phase 2 partners

### *The transition between Phase 1 and Phase 2*

The Phase 1 strategy to partner with established fund managers may have excluded local players. Responding to the Phase 1 external review findings, the strategy for Phase 2 emphasized the need for greater engagement

with local and Asian partners. To facilitate this, Pathway 2 relaxed the geographic coverage requirement for each partner to invest in all three target countries. Instead, they worked with partners that could collectively cover all target countries. We find this to have been an effective change in the program. IW also decided to support partners in developing networks, business relationships, and deal pipelines. Additionally, Pathway 2 wanted to tap into regional and local pools of capital to drive broad-based and inclusive growth and overall women's economic empowerment – including commercial capital that didn't necessarily self-identify as Impact.

In Phase 2 Investing in Women partnered with six locally based investing partners across two investment rounds:

- Round 3: Manila Angel Investors Network (MAIN)
- Round 4: Ascend Vietnam Ventures (AVV); Foundation for a Sustainable Society (FSSI); Indonesia Women Empowerment Fund (IWEF); and InBest Capital Ventures (InBest)
- Biduk Project carried out in collaboration with DFAT's former DFAT's InnovationXchange (iXc)

Partnering with angel investor networks such as MAIN was a priority for Round 3 as a potentially significant source of early-stage financing, especially for women's SMEs. In Round 4, IW targeted local fund managers and country-specific investors, despite many of them being relatively new and/or less experienced. IW also partnered with two investors that do not necessarily identify as impact investors: MAIN and AVV, the latter launched by the two principals behind 500 Startups Vietnam (500VN). However, again leveraging experience with Phase 1 partners, IW introduced various escalating incentives around gender-focused capital deployment targets or the number of investments made into women SMEs. This was to ensure that the program objectives continue to be met. We consider such schemes to be an effective tool for incentivizing both impact and non-impact investors to adopt gender lens investment strategies. Although having a local presence is key, especially as COVID-19-related travel restrictions are in place, partnering with less experienced and resourced investors may be less likely to produce sustainable results.

### *Gender impact*

Out of all Phase 2 partners, MAIN has made the most progress integrating a gender lens into their own organization and in their investments. While they do not identify as an impact investor, they are very supportive of GLI integration and are committed to achieving results. One of the partnership goals with MAIN was to increase the proportion of its female members to male members, thus activating the female investor community. The MAIN team's carried interest was connected to membership diversification metrics. MAIN currently has 17% female members – up slightly from 15.8% as of December 2019, when IW was in diligence. More impressively, the number of female members grew from 9 to 15 – all while shifting to a virtual environment due to COVID 19. The number of total members grew from 57 to 91 during the same period.

As part of the GLI action plan development, MAIN held two training workshops in June 2020 to raise awareness around GLI among its members. Additionally, Investing in Women's Advisory Support (provided by Value for Women) has helped the MAIN team use a gender lens during the due diligence process. This has contributed to the further integration of gender considerations into organizational culture and processes. Investing in Women's Advisory Support has also helped MAIN develop a set of core gender inclusion policies for the startups, covering topics such as anti-discrimination and anti-harassment policies, family support, and talent management to create gender-inclusive workplaces. It is deepening the desired impact and incorporating a gender lens in portfolio management. This tool is yet to be rolled out to MAIN's portfolio companies.

Round 4 partners only started in mid to late 2020 and are still in the process of developing their individual GLI action plans, therefore it is too early to comment on outcomes. However, they have all found value in the advisory support, and there are some initial indicators of mindset changes around GLI. For example, IWEF now

recognizes that all-male-founded businesses find it easier to raise capital than all-female-founded businesses. Similarly, FSSI has made progress. Like Root Capital, FSSI already had policies around gender, investing through the “triple bottom line” framework, but they wanted to improve their GLI strategy. FSSI has now developed tools and modules for WSMEs with Investing in Women’s Advisory Support. These focus on areas such as internal control and governance; human resource development; gender-inclusive management approaches; financial management, risk mitigation and business continuity planning; quality control and management; and change management. They are to be first implemented with IW-sponsored investments and later throughout the broader FSSI portfolio. InBest, the most recent Round 4 investing partner, has also mandated that all investees meet specific criteria around women’s employment over the loan term. The hope is that the investees see the value in gender equality and continue the work once InBest exits from a given investment.

### *Financial performance*

Phase 2 strategy focused on partnering with more local investors, with Round 3 partnerships starting in early 2020 and Round 4 partnerships starting in the second half of 2020. Due to limited players, this resulted in working with either early-stage investors or first-time fund managers without established investment vehicles or funds to invest from at that time. As such, two out of the six partners in both Round 3 and Round 4 are yet to make their first investments, so it is difficult to assess their performance. The other partners have made a combined ten investments, deploying AUD 1.2m (USD 0.9m) of IW’s capital while leveraging AUD 2.7m (USD 2.0m) in investments from private-sector investors.

Having established its investment vehicle in July 2020, MAIN members have made three investments into women SMEs in the Philippines, utilizing IW’s capital and successfully leveraging additional capital from MAIN members and outside private investors. The overall private sector leverage ratio is at 5.7x, exceeding the 1:1 private sector leverage requirement set by Investing in Women. MAIN has observed high interest from private investors, demonstrating the catalytic effect of the IW partnership. Without IW’s contribution, the MAIN members would not have proceeded with one of the investments; but with tools and conversations to unbias the situation, the investment went through. MAIN has also valued the operational support and TA facility provided by IW. Both enabled MAIN to professionalize and scale up their services. The TA Facility has allowed MAIN to provide investment readiness advice to 143 startups, of which 40 were WSMEs. This initial support is crucial as the biggest challenge in building a quality WSME pipeline is investment readiness. MAIN reflected that in general the WSMEs usually do not have much experience in fundraising from external investors as the Philippine startup ecosystem is mostly male and may lack the confidence to engage as successfully. In trying to fit into a financing path designed for and by men, women are more likely to feel they have to act in ways outside their comfort zone. For example, dialling up their expression of confidence to match what is the norm for male founders in order to be competitive in the capital-raising process.

AVV has only recently initiated its fundraising efforts, with their first close expected sometime in 2021. However, AVV noted that IW’s endorsement has contributed investors to their fundraising pipeline – especially GLI investors. They expect sizable investments from other GLI-oriented investors. Meanwhile, AVV has started using the operational support provided by IW and is looking to hire an ESG officer. Building on AVV’s experience from 500 Startups Vietnam and the success of the women’s SME acceleration program in Indonesia, IW guided AVV to create a venture-building and incubation program to further support women SMEs at both pre- and post-investment stages. The AVV team has started venture-building and incubation work with ten female founders. Given the limited resources of the fund, that would not have been possible without the TA Facility.

FSSI has been challenged in deploying capital. In June, they made their first investment, while IW had expected them to complete four investments in the first year. This is due to two main reasons:

- FSSI as an organization has an extended decision-making process due to its size, hierarchical structures and robust governance policies, with many committees present. This has been further impacted by COVID-19-related travel restrictions
- Pipeline building has been difficult, as with other investing partners.

Despite challenges, FSSI has found value in the IW partnership. As a predominantly debt investor, the IW capital has allowed them to offer other forms of financing such as equity and quasi-equity instruments. IW was also instrumental in assisting FSSI to develop a new strategy to help with the rate of capital deployment, based on the co-investing arrangement with FSSI members. FSSI has used the operational capital to make additional hires, including a locally based team dedicated to the IW fund. FSSI also noted that the TA facility allowed them to provide support in a more focused and structured manner.

IWEF has made three investments in Indonesia, with a 10x private-sector leverage. The deployment of the investable capital was slower than IW expected. Thus, the Pathway 2 team has allowed IWEF to reduce their initial ticket. This allows IWEF to deploy capital in a larger number of companies and seems appropriate given that they are targeting seed-stage SMEs. IWEF is expected to make larger top-up or follow-on investments in the selected portfolio companies at a later stage once certain milestones are achieved. IWEF believes that building a quality pipeline of women SMEs will create a competitive edge for them and will positively impact the returns in the long term. IWEF has made full use of the operational support capital, which was vital in launching their first fund. However, they have been struggling with fundraising and almost no progress has been made over the last few months. The success of the partner's model remains to be seen.

InBest is a spin-out of the C4D team, created when C4D exited the Philippines. The team's knowledge of the local market and legacy pipeline in the Philippines allowed them to quickly close three deals, with private-sector leverage of 0.65x. Using the TA facility, InBest was able to assist its investees in areas such as corporate restructuring and fundraising. Operational support funding enabled InBest to set up a fund, including completing all formal steps required to become a fund manager. InBest plans to fundraise in 2022-2023.

So far, Biduk has invested in one company in Indonesia, while deploying two loan products. Biduk supports new mechanisms that will test suitable investment products for SMEs in Indonesia, focusing on the capital needs of women entrepreneurs. While the partnership with iXc allowed for loans of AUD 30,000-50,000 (USD 22,000-37,000), the partnership with Pathway 2 is aimed to scale the Biduk Project pilot to larger loans (upwards of AUD 100,000 (~USD 75,000)) for WSMEs. Although slightly slower than IW expected, Biduk has developed two new products supporting WSMEs at a larger ticket size of AUD 75,000-100,000 (USD 56,000-75,000). The first product is a purchase-order-based loan, while the second product is a working capital loan. Both products were developed in response to the current gaps in the Indonesian market.

## Recommendations

- **No changes to investment partnership structure over the next two years:** Pathway 2 has built a network of investing partners with deep expertise in each target country. Additionally, the partners use diverse investment strategies and structures to deploy capital with a gender lens. The Pathway 2 team should continue to support the partners in fully deploying their allocated capital. There is no need for any significant changes in the partnership structures.

- **Ensure continuation of results ahead of program close:** While the Investing in Women program has only two years left in its current form, the investing partners will continue to work with their portfolio companies for a few more years. Pathway 2 should use the next two years to:
  - Crystalize plans for the program to exit the investment structures with partners
  - Work with Phase 1 partners to map their exit plans for each WSMEs; ensuring a hand-off to follow on investment where needed
  - Ensure ownership and resourcing of content, tools, and examples, either through a DFAT program or another ecosystem player like GenderSmart Investing Summit and/or AVPN
  - Create mechanisms and funding to follow up at the end of fund lifecycles, to fully capture and amplify the program's, partners' and WSME's successes. IW should publish performance results at an IW portfolio level rather than at each fund's level given the unique structures used
- **Shift focus towards market-based success outcomes:** For most of the program, the Pathway 2 team has focused on input and activity metrics like capital deployed, private market and public market leverage achieved, etc. As the program will come to a close in two years, it would be good to see the focus shift towards performance metrics. It is still too early in the program for exits, therefore it may still be too early to measure exit multiples and increase in valuations. However, the program could report on market-based metrics like follow-on rounds, growth in revenues and profitability, loan repayments, etc. that can be used as indicators of mid-term success.
- **Understand the need for fundraising support:** Almost all partners have requested additional fundraising support from the program. This was especially true for smaller partners with relatively less experience raising and managing funds. Structurally, first-time fund managers find it challenging to raise their first funds, and with COVID-19, all partners are finding fundraising more challenging than ever. The Pathway 2 team is aware of this problem and has pushed ecosystem partners to make the relevant introductions to HNWIs, foundations and DFIs, but this has had limited success – despite great efforts from the team. Pathway 2 should work with the investing partners to understand these challenges and inform the ecosystem or future programs of what is most needed.
- **Ease follow-on investment restrictions:** Currently, investing partners are not allowed to make follow-on investments in a WSME if another IW partner has already invested in them. This restriction has been placed to reach a larger number of WSMEs in IW's portfolio. There might be merit in allowing multiple partners to invest in the same WSME, but only in successive rounds. This would fill some of the funding gaps in SEA and fully support the WSME's growth path. The probability of creating at least several highly successful portfolio companies will increase. It can be argued that these highly successful case studies (i.e. unicorns or equivalent) will create one of the strongest and most visible business cases for investing in women.
- **Mine learnings from innovative financing structures:** The GLI ecosystem would benefit from the learnings and insights from the innovative financing structures financed by IW. This could inform how other capital allocators or a future DFAT program could best meet the needs of WSMEs, especially those not on a VC growth trajectory.

## Market building partnerships

Pathway 2 has partnered with influential and well-networked ecosystem-building partners: GenderSmart Investing Summit (GSIS), Asia Venture Philanthropy Network (AVPN), Impact Investing Summit Asia Pacific and

Value for Women (VfW). Each of these partners has unique strengths and together they are helping Pathway 2 in achieving its end-of-program objectives and enhancing its depth, reach and influence in gender lens investing.

GSIS is an influential and enterprising GLI-ecosystem builder and has proven to be a great partner for Pathway 2. GSIS has strong convening power within the GLI and development-finance space and is engaging more and more commercial and institutional investors. Their global summit took place virtually in February 2021. Doing a virtual conference allowed them to increase participation, with over 500 delegates participating in the summit from over 50 countries. The summit often highlighted the work supported by Pathway 2. Investing partners from Phase 1 participated as speakers, experts, moderators and conversation-starters across many sessions. Before the summit, GSIS also conducted regional deep dives and highlighted Pathway 2's partners in the Southeast Asia deep dive. GSIS plans to organize sessions to highlight innovative financing approaches like the Beacon Fund and Biduk. GSIS has also identified several high-priority opportunities to maximize the mainstreaming of GLI and is leading initiatives around these. Two such initiatives are the "First-time women and diverse fund managers group" to increase the number of women-led funds and "Capital Connect" to help new fund managers fundraise. The Pathway 2 team has been instrumental in creating and funding Capital Connect.

AVPN is a strong network of impact investors, philanthropic donors and intermediaries across Asia, created to increase the flow of capital in the impact space. They have helped IW become more prominent in the region and influence other impact and GLI investors. Pathway 2 has partnered with AVPN on multiple initiatives, to first create awareness and then to connect investors with industry experts in GLI. They are also trying to inspire their members into action. With Pathway 2's support, AVPN built a gender platform to deepen the engagement of their members engaged in GLI – providing education and functional resources, as well as webinars and other opportunities to build GLI capacity. This initiative has significantly improved levels of engagement and collaboration among the GLI investors in the region. At AVPN's virtual conference, they highlighted the work being done in the space by DFAT, Investing in Women and Pathway 2 partners. AVPN has advanced the awareness of GLI and started to work with industry experts to strengthen capacity, but has not yet achieved significant action among its members. Little capital from members has been deployed with a gender lens to date, but this was not expected within this timeframe of the market building. AVPN is now developing a GLI fellowship in partnership with Pathway 2 and Sasakawa Peace Foundation. This could be a good start in moving to actual investment, by helping commercial and HNWI investors comfortable deploying capital with a gender lens.

Impact Investing Summit Asia Pacific organizes annual conferences for impact investors in Australia. Pathway 2 has primarily partnered with the Impact Investing Summit to leverage its networks within Australia and to engage impact investors within the country. In the short term, Impact Investing Summit is focused on increasing awareness of GLI in Australia. In the long term, they hope to see more Australian investors move to action and invest in WSMEs in Southeast Asia. While the annual summit for 2020 was canceled due to COVID-19, the team partnered with Pathway 2 to conduct a GLI conference in Australia in May 2021. Investors from Australia joined the summit in person, while global GLI experts joined the conference remotely. This proved to be a significant opportunity for Pathway 2 to share its work and partner success stories within the Australian impact investor ecosystem. While this partnership creates awareness of GLI and showcases IW's work, very few Australian investors are comfortable investing in Southeast Asia, let alone in the SME sector – even before considering gender barriers. If DFAT wants to see actual investment from Australian impact investors into WSMEs in Southeast Asia, an independent program and additional resources would likely be needed.



Unlike the other ecosystem partners that worked more broadly through conferences, Value for Women worked directly with select Pathway 2 partners in designing and implementing a GLI strategy. They have helped partners with gender assessments, gender action plans, strategy recommendations, building GLI tools, creating and delivering training, etc. Until now, most of their work has been with C4D and MAIN, but they plan to work with FSSI and IWEF going forward. VfW has also created relevant content – case studies and regional reports – to be shared through networks such as AVPN. VfW’s work has been of high quality and has been appreciated by partners and the Pathway 2 team alike. With VfW’s help, Pathway 2 partners have been able to make significant progress in integrating GLI tools and investment processes in their organizations. VfW is a US-based firm and had to transition into an online-only engagement model with the partners post-COVID-19. This has had an impact on the overall effectiveness of their initiatives – especially the training. While VfW rapidly adopted an online model for their training and workshops with partners, they felt that the effectiveness of their sessions did go down. They tried recruiting additional resources locally but weren’t able to find people with the level of sophistication needed to engage with investors.

## Recommendations

- **Explore gaps in fundraising support:** The Pathway 2 team worked with the ecosystem-building partners to help Phase 2 investing partners fundraise. While introductions were provided, very limited capital was invested as a result. In addition, Pathway 2 provided operational support that supported fundraising activities. Understanding what the barriers are to investing would be useful in future programs.
- **GLI fellowship:** Pathway 2 is working with AVPN and Sasakawa Peace Foundation on creating a GLI fellowship. This fellowship and similar educational programs should be continued as a way to education capital allocators and eventually to help them move from capability building to action, perhaps eventually with a commitment to do so.
- **Work with partners to extend reach outside of impact investors:** Current ecosystem-building partners have strong networks within the impact investing space but do not necessarily have strong networks in the broader commercial investment space. Commercial investors control a significantly larger flow of capital in the region. For example, venture capital investors deployed AUD 7.7bn (USD 5.8bn) in 2017 in the region; in comparison, impact investors deployed AUD 1.2bn (USD 904m) over a span of ten years, ending in 2017. Hence, engaging commercial investors around GLI will allow for a much more significant impact on women’s economic empowerment.
- **Amplify IW’s work in Australia:** Continue working with Impact Investing Summit to further build the awareness of GLI in Australia and to showcase DFAT’s great work in empowering women in Southeast Asia. However, if DFAT aims to have Australian capital invest in private markets in Southeast Asia, the road to meaningful outcomes is long and hindered by structural challenges such as the geographic allocation and asset allocation being minimal in SMEs in Southeast Asia, let alone WSMEs.

## Response to COVID-19

The COVID-19 pandemic has had a disproportionately large impact on SMEs – and WSMEs have been the hardest hit. Pathway 2 partners and their portfolio companies experienced challenges, although some opportunities arose. The Pathway 2 team was nimble in adapting their support to the COVID-19 environment. The partners remained firmly committed to Pathway 2’s objectives and have adapted to the new reality.

## Impact of COVID-19

### *Challenges:*

- **Reduced ability to build investment pipelines:** Partners such as Root Capital, C4D and FSSI are investing in agribusinesses where the WSMEs are located in rural communities. Pre-pandemic, investment teams would travel to meet the entrepreneurs before investing; however, as travel restrictions were put in place that was no longer possible. While both the investing partners and WSMEs have adapted to online communication and due diligence processes, it remains particularly challenging for entrepreneurs dealing with issues of digital connectivity – including unreliable and limited Internet access – and technological illiteracy in their value chains
  - **A slower pace of capital deployment:** Partners also found it challenging to build strong, trust-based relationships with entrepreneurs, co-investors and angel investors online. For many partners, their diligence took longer, which slowed their decision-making. They needed to put in more work to feel comfortable investing after an online diligence
  - **Existing portfolio companies needed support:** Most of the partners’ portfolio companies (IW or otherwise) faced multiple challenges. Many businesses experienced a slowdown in operations. Even companies with a relatively stable business outlook experienced a fall in revenues and profit margins due to the COVID-19-related disruptions. The crisis led to a significant increase in a cash crunch for these businesses. Most investing partners had to spend a lot more time and resources in supporting their portfolio companies than they had budgeted
  - **Fundraising became even more challenging:** Partners like IWEF, AVV and Patamar were fundraising during the pandemic. Not being able to physically meet potential investors and spending more time with their portfolio companies resulted in substantial delays in raising funds. However, as the pandemic continues and conditions stabilize in some regions, fundraising activities are starting to regain momentum
  - **Reduced engagement during GLI summits and sessions:** GenderSmart Investing Summit had to postpone its annual summit and eventually conduct it online. Impact Investing Summit had to cancel its annual summit. While the online format helped them increase their attendance, the networking element of the summits took a back seat. Networking during the summits would have helped partners with their fundraising efforts. Additionally, “Zoom fatigue” resulted in a relatively lower engagement level of participants during the annual summits and AVPN workshops
- Reduced effectiveness of GLI training activities:** While Value for Women rapidly adopted an online model for their training and workshops with partners, they felt that the effectiveness of their sessions did go down

### *Opportunities:*

- **Broader reach:** MAIN has switched from offline meetings to online. Although difficult at first, this resulted in the number of members (including members from other countries) accelerating as MAIN has become more accessible. This is also true of the ecosystem partners who have been able to reach a broader and larger group of attendees with their online events

### *Response:*

- **Relaxing of requirements:** Pathway 2 was more understanding regarding any delays in reporting and fundraising efforts from the investing partners. Furthermore, in-kind contributions from the partners were expected by Pathway 2 to assist the IW portfolio companies. An example includes SEAF which has provided advisory services to its investees with regard to cash and working capital management. Partners have also provided more flexibility in terms/conditions of original investments such as postponement of loan repayment or interest waiver
- **Launch of Emergency and Resilience Facilities through the RISE Fund** (see below)

## RISE Fund

In response to the economic fallout caused by the COVID-19 pandemic Pathway 2 launched the Responsive Interventions Supporting Entrepreneurs (RISE) Fund to assist in the recovery of WSMEs in Indonesia, the Philippines and Vietnam. The RISE Fund was partially funded by the reallocated travel budget assigned to investing partners.

The RISE Fund was launched in April 2020, with capital deployment beginning in May 2020. Although the COVID-19 pandemic had not significantly impacted the region at the time, the Pathway 2 team was conscious of the situation and its impact on SMEs and the overall business environment in China. Many of the SMEs in the region have strong links to the Chinese market. As such, the Pathway 2 team acted quickly and introduced defensive measures to preserve programmatic gains (at the time, there were 27 investees in the IW portfolio). We understand this was the fastest relief fund established for WSMEs in the region. Previously impact agnostic, Pathway 2 prioritized specific sectors like healthcare and food security to support economic and COVID-19 recovery. The IW program funded the following two financial instruments:

- **Emergency Relief Facility:** The design of the Emergency Relief Facility was based on a rapid assessment of the portfolio companies, performed by the Phase 1 partners (Patamar, SEAF, C4D and Root Capital). Only existing portfolio companies were eligible for the Emergency Relief Facility. It was a 6-month program focused on mitigating short-term (3-6 months) liquidity constraints for otherwise well-functioning investees of Phase 1 partners. To maximize the facility's impact, the Pathway 2 team consciously decided not to include companies that no longer had a viable business model or would struggle to survive even with the emergency support. This was an effective strategy given the situation and budget. The Emergency Relief Facility was completed in November 2020.
- **Resilience Facility:** The Resilience Facility allowed partners that had exhausted their investment capital from Investing in Women (as of May 2021 – Patamar, SEAF and Root Capital) to make new investments in WSMEs, which fit the Pathway 2 investment thesis for the RISE Fund. It is structured as a two-year program that started after the Emergency Relief Facility ended. The initial funding available was increased once IW partnered with the Macquarie Group Foundation (see below). Two Phase 2 partners, InBest and FSSI were allowed to deploy this additional capital from the Macquarie Group Foundation. The investment decision for the Resilience Facility regarding the ticket size is made on a deal-by-deal basis, with the goal of 6-10 new WSME investments. Feedback from Phase 1 partners indicated that requirements for the facility were challenging, thus as of May 2021 only one investment was made by

them. Among the Phase 2 partners, as of May 2021, InBest has made three investments from the facility<sup>11</sup>. However, there is time for both Phase 1 and Phase 2 partners to deploy the remaining funding.

### *Macquarie Investing in Women RISE Fund*

To strengthen the RISE Fund, IW partnered with the Macquarie Group Foundation, the philanthropic arm of the Macquarie Group, in April 2020. As a result, the Macquarie Group allocated AUD 1.3m (USD 1.0m) to the Macquarie Investing in Women RISE Fund to support organizations working to combat COVID-19 and provide relief to affected communities. The Macquarie Investing in Women RISE Fund was formally launched in November 2020 to make 4-6 investments into WSMs in the Philippines. With a targeted deal size of USD 300,000 - 500,000 and an expectation of at least 40% co-investments or private sector leverage, the investments will be made through two Phase 2 investing partners – FSSI and InBest.

### *Outcomes*

Overall, Pathway 2 investing partners have found the RISE Fund helpful. They were particularly impressed by the speed of deployment of the capital from IW, especially compared to other relief funds – including local governments. The speed demonstrated the extreme responsiveness of the Pathway 2 team to the economic conditions and how those may impact the program objectives. In many cases, the Emergency Relief Fund was deploying capital earlier than local governments, with a sharp focus on supporting WSMs.

The RISE Fund had a significant impact on the investees. Examples include employment support and job retention for 1,000+ staff in the healthcare sector and 300+ rural agribusiness staff. The funds also provided support to 3,500+ independent contractors (65% female) for business process solutions. Additionally, the RISE Fund enabled income and market linkages for 7,200+ smallholder farmers; access to agri-inputs for 25,000+ farmers; and access to medicines, food supplies and credit to 7,300+ families. Finally, IW's funding played a catalytic role in mobilizing other investors. For example, a coconut processing company in Indonesia was able to raise sizable amount of funding by leveraging a smaller investment from the Emergency Relief Facility.

The RISE Fund design was overall appropriate, but the Emergency Relief Facility was slightly limiting for some partners in regard to the amount of support. For partners investing in larger companies, like SEAF and Patamar, the cap per company only covered a one-month runway extension. Root Capital deployed three smaller grants from the fund and did not deploy the full amount available to them. For C4D, the amounts available through the Emergency Relief Facility were sufficient given the size of investments they made.

Based on lessons learned from the pandemic, the Pathway 2 team also introduced new contractual provisions for Phase 2 investing partners, to ensure the sustainability of the portfolio companies in times of crisis. For example, IWEF is required to assist female entrepreneurs in adapting their businesses to manage the impacts of the COVID-19 pandemic, including pre-identification of additional resources (e.g. financial, personnel, TA). AVV must provide adequate cash flow to cover about 18 months of operations for every investment round into portfolio companies. These are relevant and effective changes that have further shown the dedication of Pathway 2 to the long-term viability and sustainability of the program.

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<sup>11</sup> Two additional investments were made by Phase 2 partners after the mid-term review. One each by InBest (June 2021) and FSSI (July 2021).

## Coordination and collaboration

The Pathway 2 team has effectively collaborated with the other DFAT programs, private investors, public investors and other GLI ecosystem builders. They have also collaborated with Pathway 1 and Pathway 3, but more on an opportunistic basis than a strategic one. The Pathway team has had some success engaging senior DFAT stakeholders and embassies, but there may be more opportunities going forward. Collaboration and coordination take time and resources; within the current budget, the team has focused resources on the GLI ecosystem, which is well aligned with Pathway 2's main goals. EMIIF presents a unique opportunity for collaboration, which is already in progress. While there are always opportunities to do more, we hypothesize that engaging with DFIs to ensure the adoption of a gender lens in all their investments in the region could have the most significant impact on the region's GLI ecosystem.

While the Theory of Change (ToC) highlights potential areas of collaboration between the three Pathways, the Pathways were not designed with a shared purpose. They have objectives, outcomes and approaches independent of one another. Hence the three Pathways have primarily worked independently of each other. There was an "influencing gender norms" (IGN) strategy created by Pathway 3 that identified areas of collaboration between Pathway 3 and Pathway 2. However, it was never implemented – likely due to the difference in priorities between Pathway 2 and Pathway 3. The Pathway 2 team has appreciated the diverse expertise that the Pathway 1 and Pathway 3 team members have and frequently discusses issues and challenges with them, especially where they have more experience or a more nuanced understanding of topics.

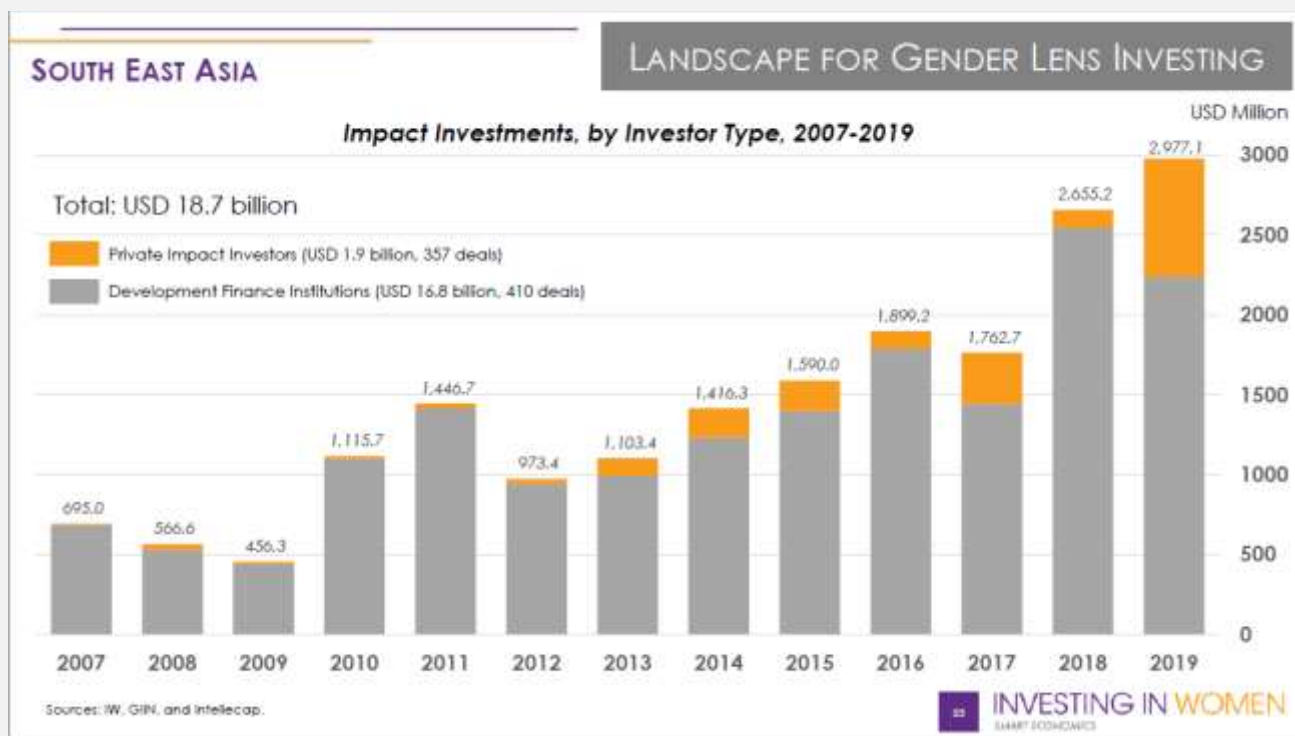
The Pathway 2 team regularly communicates with different departments and branches within DFAT, including the Gender Equality Branch (GEB), Private Finance for Development Section (DFS), Private Sector Partnerships Section, and Development Innovation Hub. IW is uniquely positioned among DFAT programs as it uses a blend of both investment and grant-making approaches. Pathway 2 has engaged with and explored potential collaboration opportunities with multiple DFAT programs. The partnership with Biduk is an outcome of such a collaboration with the InnovationXchange (part of the Development Innovation Hub). Members from multiple DFAT teams highlighted that they were particularly impressed by the high quality of reports and communication that Pathway 2 has produced.

Among the DFAT programs, the Emerging Markets Impact Investment Fund (EMIIF) has the most extensive synergies with Pathway 2. The Pathway 2 team regularly engages with the EMIIF team and has introduced them to some of Phase 1 investing partners as potential investments for the fund-of-fund. These investments will help create a more robust business case for gender lens investing. EMIIF has been designed with a gender lens from the beginning. This was made possible, in large part, by the experience of Pathway 2 over the past years. The Pathway 2 team is exploring further options to collaborate in the future.

Pathway 2 has been able to work with senior DFAT leadership and Australian embassies to publicly engage on GLI and related topics in global and regional summits. While this has created some public diplomacy opportunities for DFAT, the embassies usually prefer to engage with more "visible" industry leaders, rather than investors and fund managers. Hence, the scope for further engagement with the Pathway has remained limited.

Pathway 2 has also successfully partnered with multiple private- and public-sector investors on initiatives to promote GLI. They collaborated with Cordaid (formerly ICCO) while investing in C4D. Cordaid was impressed by Pathway 2's GLI approach and is now working towards adding gender lenses to all their investment vehicles. Pathway 2 is collaborating with Sasakawa Peace Foundation and AVPN to launch a GLI fellowship focused on the region. The team worked with the Macquarie Group Foundation to co-invest AUD 1.3m (USD 1m) in the RISE Fund in the Philippines.

Development Finance Institutions (DFIs), including multilateral and bilateral DFIs, play a critical role in mainstreaming and scaling up impact investing strategies. With the launch of the 2X Challenge, DFIs have globally started deploying capital with a gender lens. In Southeast Asia, the investment teams at DFIs are yet to add gender criteria in their investment strategies or at least to publicly state that they are doing so. This large pool of capital is an untapped potential for GLI in the region.



**Exhibit 4:** Impact investments made by DFIs are significantly larger than those made by private impact investors

## Recommendations

- Evaluate how to engage and influence DFIs and other institutional sources of capital to the benefit of WEE:** While it is not a normal role for a non-DFI to play, we recommend considering how to fill a much-needed advocacy, convening and coordination role in Southeast Asian WEE. There could be opportunities to influence ADB, JBIC/JICA, and KOICA, as well as global DFIs that come in and out of the region such as DFC, EIB and IFC. In filling such a role, DFAT could deepen its leadership in WEE in the IW countries, giving it expanded bilateral opportunities with key diplomatic connections. This could be explored by joining the 2X Collaborative.
- Continue to collaborate with EMIIF:** Pathway 2 should continue working closely with EMIIF to consider investments in their investment partners, to ensure continued growth capital is available to the best WSMEs and removing barriers on their path to being shining examples of success.

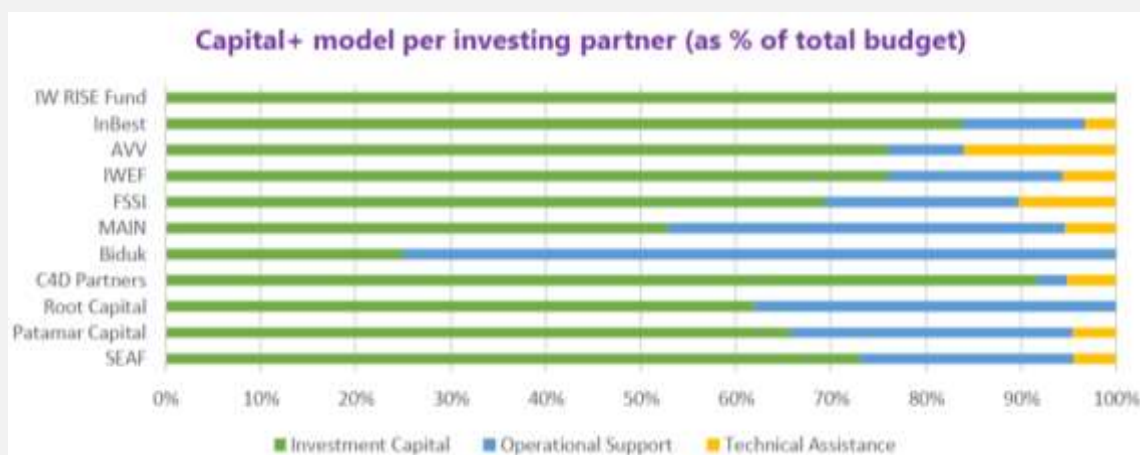
## | Program efficiency

### Program management and budget

Pathway 2 has been efficient with both the management of the program and the budget, and has been thoughtful and creative at maximizing resources in service of the program goals. There are a few minor areas to be considered for further gains in efficiency.

### Program design

Pathway 2 designed a “Capital+” model to best support its investing partners – an innovative and highly relevant approach for the size and maturity of the asset managers and WSMEs they support. Via their partners, Pathway 2 targets investments in relatively smaller WSMEs that often need a more hands-on and holistic suite of support – not just capital. The same is often true of the investment partners themselves. The model for partners consists of three elements of support: investment capital, operational support for the investment vehicle and technical assistance for the WSMEs. Pathway 2 worked with each partner to create a unique investment structure and a customized mix of support that best suited their individual needs. In addition, Pathway 2 also engaged Value for Women (Criterion Institute in Phase 1) to work with some of the investing partners to improve their GLI practices and toolkits. Pathway 2’s flexibility and advanced structuring skills have allowed them to make the best use of their budget for each investing partner.



**Exhibit 5:** Each investing partner has been allocated a unique mix of investment capital, operational support and technical assistance

While the model has worked well for investment partners, most of them remain sub-scale, meaning they don’t have all the human resources a larger fund would have to ensure successful funds and raise larger future funds. Typically missing is a senior fundraising professional, a dedicated M&E/Impact resource and enough investment managers to provide the deep business-building needs of the WSMEs. All investing partners have found fundraising challenging. It is an even bigger challenge for most Phase 2 partners as they have comparatively small teams and are raising funds during the COVID-19 pandemic. Ideally, the partners are successful and grow their AUM to both continue to invest in WSMEs post-program and continue to leverage the IW funding that has helped them incorporate a gender lens into their investment teams, strategies and processes.

While allocating the majority of the budget to investments and operational support of the partners is an effective way to build capacity at a greater scale, there is likely more funding needed at the SME level to help

professionalize and build their businesses. Often in SME investing there is an underlying assumption that the investment capital will sufficiently cover the business-building needs of SMEs. In our experience, most entrepreneurs vastly underfund the cost of scaling a business – especially around systems, processes and key functions such as finance, sales and human resources. In the region and other emerging markets, most entrepreneurs have not been exposed to such professionalized functions and are therefore unaware of even needing them. We find most funds also don't intervene in a company's capital request and use of funds – and rarely, if ever, have we seen a fund manager insist on adding budget for such items. If the investing fund is also not well resourced, they are unable to provide the post-investment support to portfolio companies that is crucial to growth and value creation. Thus, a substantial capacity-building gap still exists. This is true of SMEs – not just WSMEs – but remains a significant challenge nonetheless for WSMEs.

Pathway 2 has focused on investing in relatively small-sized WSMEs. During Phase 2, with a focus on more local partners, they have invested in even smaller-sized WSMEs. This allowed them to invest in SMEs at a stage where they need the most support. The size of Pathway 2's investments has been perfectly adequate for this investment strategy, with the exception of the capacity-building gap mentioned above. The technical assistance component of the program might fill this gap to some extent, but the TA component is relatively small at ~5%. If there were more budget allocated, we would recommend looking to allocate it here.

Pathway 2's model has a strong emphasis on leveraging their investments with additional private or public capital. Each partner committed to achieving specific leverage ratios either on a deal-by-deal basis or on an overall fund level. Some of the partners also had their team's incentives aligned with it. Apart from achieving end-of-program objectives, this strategy has had two significant advantages:

- Pathway 2 could catalyze a lot more capital into WSMEs than its budget allowed
- By co-investing with other investors, Pathway 2 could influence the partners to not only invest in WSMEs but also to invest with a gender lens across all of their funds

Investing in Women, being a government-funded program, has regular financial year budget allocations and deadlines. In contrast, private-market investing tends to be very illiquid, with some quarters and years seeing a lot of investment activity and others seeing very little. This illiquidity sometimes creates a slight timing mismatch between Pathways 2's allocations and the partners' ability to invest – pushing them to invest in companies before they are comfortable doing so or invest in companies that may not have been the most promising ones when viewed over a slightly longer period. Additionally, due to COVID-19, some partners have realized that building a solid investment pipeline is taking a lot longer than they had initially anticipated, adding to the timing pressure. The team has been open to such partner challenges and has often even worked around them, but not all the partners realize there is an opportunity to change the parameters and thus have not approached the team with specific requests.

## Pathway 2 team

This program has been implemented by a relatively small team. By working through investment and ecosystem partners, they have been very efficient with the program's human capital.

Pathway 2 has a talented, dedicated and hard-working group of individuals. The team has built a strong and diverse portfolio of investing and ecosystem-building partners in a relatively short time. While making good progress against their capital deployment goals, the team has also been flexible, respectful, motivating and collaborative with their partners. Pathway 2 team members have built strong trust-based relationships with their partners and are very highly regarded by them.



Pathway 2 team members have also very quickly built a strong reputation in the global GLI ecosystem. They are regularly approached by impact investors in the region and global GLI-focused investors for advice. They have leveraged their strong reputation to partner with organizations like the Macquarie Group, Sasakawa Peace Foundation and Cordaid – some of which might not have been possible without the current team.

## Recommendations

- Keep doing the great work the team is doing, including working through the partners for leverage, being creative and flexible, and building the GLI ecosystem in Southeast Asia.
- Almost all partners have found fundraising challenging, and newer partners face additional headwinds because of the COVID-19 pandemic. Pathway 2 should work with MEL to host a workshop or otherwise engage the partners to understand these challenges and inform the GLI ecosystem and the future WEE program.
- Pathway 2 should explore possible approaches to allow investing partners more flexibility around the timing of their investments, or at least reiterate that they are always open to the partners bringing specific challenges to them for consideration.
- The team could leverage their partner workshops to understand the capacity/business-building challenges their portfolio companies face, if/how they are funded and if/how they are being executed against. Consider shifting any unallocated or unused budget to this area.

## | MEL and Research

### Suitability of the MEL framework

Overall, the monitoring, evaluation and learning (MEL) framework and Theory of Change (ToC) for Pathway 2 are robust and adequate. The Pathway 2 ToC is based on two interrelated and mutually-reinforcing outcome logic chains – direct market interventions and market building. Together, these contribute to the end goal of the IW Pathway 2 program: an increase in intentional impact investments in WSMEs, helping to close the capital gap for women entrepreneurs.

There is a total of thirteen assumptions that underline the end goals of the IW program. Those assumptions are being tracked and reported regularly by the MEL team to test and report their validity. As of April 2021, five are tracked as valid; four are still being tested, and the remaining four are not being tested directly in Phase 2. For example, one assumption not being tested in Phase 2 is that the success of IW-supported WSMEs translates into a demonstration effect encouraging other women entrepreneurs to seek investments to grow their businesses. MEL has appropriately not allocated provisions for testing or measuring this assumption, given the higher priority of measuring other assumptions and the difficulty of acquiring data to test this hypothesis.

Since its initial inception, MEL has concentrated on three focus areas:

- Case studies on investing partners

- Case studies on women-owned or women-led SMEs
- Market building

Both the framework and ToC have been developed in collaboration with the Pathway 2 team. The ToC is regularly reviewed (1-2 times per year) by the MEL team and adjusted as necessary (again, with the consultation of the Pathway 2 team). We believe that the frequency of the review seems appropriate and the close cooperation between the MEL and Pathway 2 teams ensures that progress towards objectives is closely monitored and activities adjusted to ensure Pathway 2 objectives are more likely to be met.

Since the completion of Phase 1, there have only been two significant revisions. The first revision took place after the Phase 1 review in 2018, which provided recommendations on how the MEL could be improved to further contribute to IW's end-of-program outcomes. Pathway 2 and ToC language was changed from "gender lens investing" to "intentional investments into women SMEs." The COVID-19 pandemic prompted the second revision. The pandemic-related disruption had changed the operating environment and the ToC was assessed to ensure ongoing relevance in the changing environment. We consider that to be an appropriate response. For Pathway 2, while the underlying approach set out in the previous ToC remained valid and did not require any significant changes, the program's pace was relaxed as the economic fallout of COVID-19 was likely to slow the speed of investing activities. Overall, investors and capital providers were likely to move ahead with caution as the full impact of the pandemic unfolds over time. Pathway 2 investing partners also prioritized shoring up their existing portfolio over venturing into new investments, as they navigate the practical constraints to deal sourcing, due diligence, negotiations, funding, and post-investment business support. However, while COVID-19 has slowed the pace, these investing partners continued to show interest and commitment to new investments. We believe this progress suggests that IW's underlying approach remains valid for increasing investments into WSMEs and for supporting investors to address some of the underlying structural barriers that inhibit women's equitable access to capital.

### Suitability of MEL metrics

Both qualitative (interviews and surveys) and quantitative methods of data collection and analysis are used and are appropriate to provide answers to the key questions for both logic chains:

1. To what extent are partners successfully investing with a gender lens and into WSMEs in their IW portfolios?
2. How and to what extent is an organizational change in impact investing partners flowing through to changes in their broader portfolios and teams?
3. To what extent are other impact investors and capital providers in Southeast Asia increasing investments into WSMEs and investing with a gender lens more broadly?

Following Pathway 2 ToC, which focuses primarily on the actors on the "supply-side" of investing, the emphasis of MEL activity is mainly on examining change within these supply-side actors. The end-of-program success is measured through two metrics: one focused on the number of investments; the second on the total amount of capital made into WSMEs in Vietnam, Indonesia and the Philippines by IW partners. This is suitable, as both the changes in the number of investments and their amount illustrate whether intentional impact investments in WSMEs have increased.

Metrics collected by the MEL team (in partnership with the Pathway 2 team) not only support Pathway 2 program implementation but also go beyond that. While the Pathway 2 team mainly focuses on increasing the number of investments made and improving the private leverage ratio, the MEL team goes deeper into tracking

financial and impact metrics. At the investment partner level, MEL monitors organizational metrics which are embedded in the GLI Action Plans. Each partner prioritizes different metrics. On the individual investee level, additional gender-disaggregated metrics are tracked around the following areas:

- Job creation
- Clients and suppliers
- Women in decision making

Apart from those mentioned above, investors can also add other impact metrics relevant to them and the investee. Additionally, MEL is tracking social impact indicators, which are individually determined by each impact investing partner, depending on the investee's sector of operations.

In Phase 2, the metrics tracked by MEL were changed and brought closer to those being tracked by the investing partners – particularly the gender and social impact metrics – which previously was not the case. We find it to be a positive change, given that social returns contribute to the overall IW program goal of women's economic empowerment. However, while MEL is tracking impact investments made and the capital deployed with and without a gender lens in the region, it does not measure key metrics used by the wider investment community, for example, valuation changes of individual portfolio companies. MEL also does not make full use of the metrics already tracked, like revenue growth and profit margin improvement for each portfolio company, which act as a proxy for an increase in valuation and serve as early indicators of success. Many impact investors report these indicative metrics in their quarterly Limited Partners (LP) reports and some even do so publicly. For example, LeapFrog reports the percentage growth in revenue of their portfolio publicly. We would recommend that MEL/IW report on these metrics publicly to support the business case of investing in WSMEs. Further work would need to be done to assess the most meaningful split and analysis across instrument (debt vs equity), stage and sector.

## Effectiveness of MEL reporting

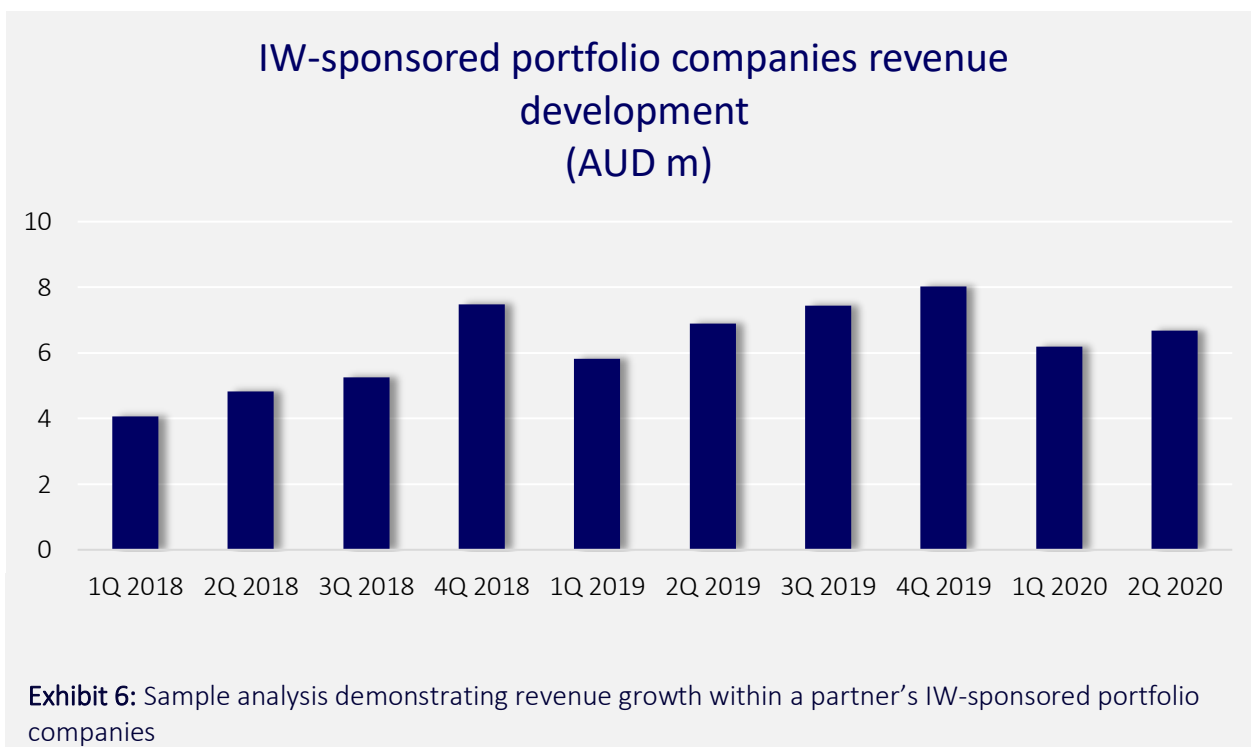
So far, MEL is primarily focused on internal reporting, and hence, none of the learnings are currently shared with impact investors and GLI investors outside Pathway 2's partners. However, the 2020 Impact Investing Update was shared with the broader GLI ecosystem in the region.

In terms of internal learnings, MEL reports provide a valuable and different perspective to the Pathway 2 team, as they are focused on more strategic issues related to the ToC. In addition, the MEL reports provide high-level, synthesized insights gathered from both the investing partners and their portfolio companies, which have proven helpful and informative to the Pathway 2 team. For example, when SEAF was developing their Gender Equality Scorecard the capital deployment was slower than the Pathway 2 team was expecting. However, because of the additional context provided by MEL, the Pathway 2 team understood that while progress was slowed on the investment side, SEAF had been actively developing their gender lens tools, which are now widely used globally.

Additionally, through their interviews with the entrepreneurs, MEL has helped the Pathway 2 team validate certain assumptions, such as those around the importance of relationship development for pipeline building and the time required to do so in a meaningful way – which again has caused a slight delay in capital deployment.

## Recommendations

- Expand to include performance metrics:** Current MEL reports do not analyze some of the meaningful quantitative information that they collect across the portfolio companies. Financial metrics like revenue and profits for each portfolio company can be used as a proxy for an increase in valuation (and hence investment performance). This analysis could be very useful for the Pathway 2 team to track performance. Below is a sample analysis of a partner's portfolio. There is a clear revenue growth trend (albeit with some seasonality), showing a CAGR of 21.9% – a strong signal of growth, especially in a challenging macro-environment.



In the future, MEL, with support from the Pathway 2 team where needed, should also obtain the valuation of each of the portfolio companies as held on the accounts of the partners. Information should include realized and unrealized gain or loss as well as IRR. In addition, any significant changes over time should be analyzed and shared internally. This would further speak to the results that Pathway 2 has achieved and support the business case for investing in WSMEs.

- Measure the effectiveness of partner incentive structures:** IW has created innovative incentive structures for its partners that are aligned with the gender impact created by the fund. MEL could try to analyze the effectiveness of these incentive structures. In the long term, it may be interesting to see whether those incentives would also be attractive enough for the broader investor community to adopt the GLI strategy.

## | Recommendations

### Key recommendations for the next two years of the program

- **No changes to investment partnership structure over the next two years:** Pathway 2 has built a network of investing partners with deep expertise in each target country. Additionally, the partners use diverse investment strategies and structures to deploy capital with a gender lens. The Pathway 2 team should continue to support the partners in fully deploying their allocated capital. There is no need for any significant changes in the partnership structures.
- **Ensure continuation of results ahead of program close:** While the Investing in Women program has only two years left in its current form, the investing partners will continue to work with their portfolio companies for a few more years. Pathway 2 should use the next two years to:
  - Crystalize plans for the program to exit the investment structures with partners
  - Push Phase 1 partners to provide plans to exit their investments in WSMEs in a timely fashion
  - Ensure ownership and resourcing of content, tools and examples, either through a DFAT program or another ecosystem player like GenderSmart Investing Summit and/or AVPN
  - Create mechanisms and funding to follow up at the end of fund lifecycles, to fully capture and amplify the program's success. To facilitate a fair comparison, IW should publish performance results at an IW portfolio level rather than at each fund's level. While this will highlight the program's success, it will prevent unfair comparisons of individual funds with commercial funds
- **Shift focus towards market-based success outcomes:** For most of the program, the Pathway 2 team has focused on input metrics like capital deployed, private market and public market leverage achieved, etc. As the program will come to a close in two years, the focus should shift towards performance metrics. It is still too early in the program for exits, therefore it may still be too early to measure exit multiples and increase in valuations. However, the program should start focusing on market-based metrics like follow-on rounds, growth in revenues and profitability, loan repayments, etc. that can be used as indicators of success.
- **Change mindsets around barriers faced by women entrepreneurs:** Pathway 2 should work with a market-building partner like AVPN to open a conversation around the cultural and systemic barriers faced by women entrepreneurs. 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
  - Perceived lack of female investment talent to fill senior investment roles
- **Continue to collaborate with EMIIF:** Pathway 2 should continue working closely with EMIIF to consider investments in their investment partners, to ensure continued growth capital is available to the best WSMEs and removing barriers on their path to being shining examples of success.
- **GLI fellowship:** Pathway 2 is working with AVPN and Sasakawa Peace Foundation on creating a GLI fellowship. This fellowship and similar educational programs should be continued as a way to education capital allocators and eventually to help them move from capability building to action, perhaps eventually with a commitment to do so.
- **Understand the need for fundraising support:** During Phase 2, Pathway 2 prioritized partners with a stronger presence and deeper expertise in each target country. However, in some cases, this strategy

resulted in smaller partners with relatively less experience raising and managing funds. And structurally, first-time fund managers find it challenging to raise their first funds. Because of the COVID-19-related disruption, all partners are finding fundraising more challenging than ever. The Pathway 2 team is aware of this problem and has pushed ecosystem partners to make the relevant introductions to HNWI, foundations and DFIs, but this has not been successful – despite great efforts from the team. Pathway 2 should work with the investing partners to understand these challenges and inform the ecosystem or future programs of what is most needed.

## Recommendations for a future DFAT program focused on women’s economic empowerment

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.

We have segregated our recommendations for the potential next program into two sections. The first section assumes that the successive program will look very similar to the current program and proposes relatively smaller changes that maximize the program’s potential impact. The second section assumes that, given the success of Pathway 2, DFAT is open to expanding or changing the scope of the program. We have shared some of the options that could maximize the impact on women’s economic empowerment if DFAT were to pursue them.

We have developed these recommendations based on our conversations with the IW team, their current partners and industry leaders, as well as on our own experience working in GLI and investing in the region. Further research is needed, however, to understand the specific market gaps and potential impact of each of these recommendations to further advance WEE.

### Recommendations to maximize the impact of a successor program on women’s economic empowerment using a similar scope:

- **Distinguish and tailor support for fast-growth and normal-growth WSMEs:** In the current program, Pathway 2 has worked with two types of company growth paths. The first is the rapid growth path. Companies on this path are open to sharing equity ownership with investors in exchange for the risk they take. This path is typically supported by venture capital (for example, Patamar, AVV, IWEF, MAIN, etc.) The second growth path involves companies that prefer to grow at a more conservative pace or simply are not comfortable with an external equity owner. These companies typically grow organically out of their profits but could grow faster with additional capital. They often prefer debt over equity but struggle early in their lifecycle to access bank loans. There are few options in between, but Pathway 2 has partnered with some of them, exploring innovative financing models like Root Capital, The Beacon Fund and BIDUK to provide a more customized offering to such normal-growth WSMEs. 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. As these two models are at different levels of maturity in the region and support WSMEs in different ways, the new program should continue to support both but should make their approaches distinct.

- **Work with capital-connected incubators and accelerators to support WSMEs:** During Phase 1 of the program, Pathway 2 worked with Patamar and the Kinara accelerator in Indonesia. It was a successful partnership, with Patamar investing in nine companies across the two cohorts, three of which raised successive funding rounds. One of those three, Sayurbox, raised four successive investment rounds. The Kinara cohort (in partnership with Patamar) demonstrated the effectiveness of capital-connected accelerator programs. Globally, the most successful accelerators have investment capital tied to the program. Apart from access to capital, WSMEs face multiple challenges like a lack of networks and market information, underdeveloped supplier networks, insufficient management skills, human infrastructure barriers and cultural barriers. Incubators and accelerators can help entrepreneurs overcome these challenges through coaching, mentoring and exposure to role models – but without investment capital tied to the program, they don’t know what an investable company looks like and thus can’t help them reach that critical level of quality. There are many accelerators and incubators in the region, but few include investment capital as part of the program. On top of that, there is an absence of high-quality accelerators or incubators in the region. Those that exist often lack a team with the relevant entrepreneurial, business building, or fundraising experience to appropriately coach entrepreneurs. With the new program, DFAT could support more investment-linked incubators and accelerators that focus on the challenges faced by women entrepreneurs. This will tackle the shortage of investable SMEs – and not just women-owned or women-led SMEs – in the region. In addition, IW could select the best capital-linked incubators and accelerators in the region and support a cohort or series of cohorts for WSMEs. As one single-country partner suggested, this could be done on a regional basis to meet volume and economies of scale and expand the regional networks of the entrepreneurs.
- **Partner with more angel investors:** 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 GII investors in the region; second, it allows them to increase the number of women angel investors in these networks. Having more women angel investors will likely increase the number of investments in WSMEs and reduce the current wealth gap between men and women. With the new program, DFAT could replicate their partnership with MAIN in Indonesia and Vietnam, to provide operational support and capacity building, add more women to their membership, expand their sourcing networks to catch more WSMEs, and improve the investment readiness of WSMEs through capacity/business building. Given that there are a limited number of angel investing networks in Indonesia and Vietnam, the RFP process might limit the number of applicants; instead, the Pathway 2 team should identify the best angel investor networks in the target countries and actively reach out to them to gauge interest in a potential partnership.
- **Change mindsets around barriers faced by women entrepreneurs:** In a future program, Pathway 2 could collaborate closely with Pathway 3 or independent advocacy groups, to open a conversation around the cultural and systemic barriers faced by women entrepreneurs. 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
- Perceived lack of female investment talent to fill senior investment roles

An external partner or a group of existing investment partners (preferably members with investment experience, for credibility and connections) could lead such an effort with support from the program. This initiative could also be led in collaboration with Pathway 3 to change the gender norms of female investors and female entrepreneurs. At the same time, ecosystem-building partners like AVPN, GenderSmart Investing Summit, and Impact Investing Summit could lead the advocacy and amplification of the work.

### Recommendations to expand the scope of the future program:

- **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). For smaller funds, the fund economics makes it very difficult for them to fully resource for and follow best practices in portfolio management, impact measurement, reporting, fundraising, investor relationships, etc. Typical first-time funds start much smaller, with AUM of between AUD 1m and 20m (USD 2m-15m). If the investment managers can generate expected returns and demonstrate a successful track record, they graduate onto raising larger successive funds. A typical medium-sized fund can have AUM of between AUD 70m and 100m (USD 50m-80m). Globally, DFIs typically anchor funds of this medium size. Anecdotally, DFIs have not invested heavily in Southeast Asia. Hence, most fund managers have struggled to raise medium or large funds, which explains the funding gap at larger investment sizes in the region. Pathway 2 should work with EMIIF 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.
- **DFAT could take a more prominent convening role in the regional GLI ecosystem; join the 2X Collaborative:** Pathway 2's success with GLI in the region has created a unique opportunity for DFAT to take a leadership position in convening the DFIs and other developmental finance providers active in Southeast Asia. DFAT should ensure that all DFI capital invested in the region is invested with a gender lens. Following this, many prominent impact-focused and commercial funds looking for DFI investments will want to integrate a gender lens into their investing strategy. DFAT should work with these funds in implementing a GLI strategy. To this end, we recommend that DFAT joins the 2X Collaborative. DFAT should also fund a position within the next WEE program to champion and coordinate GLI among private market investors in the region.
- **Expand the definition of gender lens investing:** Pathway 2 has primarily focused on mitigating the financing gap for women-owned and women-led SMEs in the target countries. The focus has helped the team concentrate their efforts and lead a successful program. However, while the financing gap for WSMEs remains a big challenge, introducing additional gender lenses can also have a substantial impact on improving women's economic empowerment. For example, investing in industries and businesses with a large number of women employees or disproportionately more women in their supply chain may improve the lives of a much larger number of women. Investing in products and services that benefit or address the commercial needs of women and girls can also have a significant impact on improving their lives. Companies with women in leadership and decision-making roles – even if not WSMEs – can lead to a similar impact on WEE. Introducing these additional gender lenses will positively affect the WEE



impact while also allowing the program to partner with a comparatively larger group of investors and generate a more robust business case for GLI. 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 program team should have the flexibility to use the best combination of gender lenses with different partners and geographies.

- **Dedicate support to priority sectors:** To maintain the success that stemmed from Pathway 2’s narrow focus, the team could expand its GLI definition but keep it focused by sticking with one or two priority sectors. These priority sectors could disproportionately impact WEE, like the care economy, agriculture, healthcare, clean energy, waste management, etc. While the broader program could remain sector and impact agnostic, these sectors could provide an opportunity to dive deeper into how gender plays a role in specific value chains. This strategy will help to create more robust business cases, examples and tools that could be much easier for other investors to replicate in the region.
- **Focus on local capital and players but engage beyond impact investors:** With Phase 2, Pathway 2 has prioritized working with local investors and capital providers. But because of this push, the potential partners have become smaller and relatively less experienced. Promoting local actors is a great long-term strategy, so long as the partners and their portfolio companies are at or can reach scale, i.e. financial sustainability. One of the big challenges in the region is that no one country is large enough for most companies to scale, so growing businesses expand to multiple countries. Therefore, a new program should not only look at single-country local investors but also actively seek local investors that are investing in multiple countries. Since the last review, there have been at least two impact funds launched by Singaporean HNWIs investing across the region, but they have not been engaged by the GLI community. In addition, there has been a multitude of venture capital and growth equity funds launched in the past few years whose founders are keen to include gender and impact, but don’t have the knowledge or resources to take action. These funds are local, sophisticated and at scale, and thus are financially sustainable and often able to afford dedicated resources for GLI, impact measurement, fundraising, etc. They represent at least AUD 1.3bn (USD 1bn) of capital. Therefore, a question for further exploration is “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?”
- **Create a program designed to expand the number of women in capital-allocating roles:** Despite progress made in the last few years, the investing industry remains one of the least gender-diverse – in both private and public markets. Male-only or predominately male teams manage the most capital. Improving the gender balance in the investing industry will also significantly increase the gender balance of entrepreneurs and businesses that they fund. The program could encourage all investing partners (through capacity building, gender action plans, gender analysis, etc.) to have gender-diverse leadership teams and investment teams by some point in time. The program could create guidance for the industry to advance more women investors through equitable pay and promotion practices and create an environment in which both women and men can thrive. The program could go further and actively support first-time female fund managers or fund managers with solid entrepreneurial and business-building experience but lacking traditional investing experience.
- **Potentially expand to new countries:** Pathway 2 currently works in the three largest countries by population in the region. Given the successful implementation of the current program, DFAT has the opportunity to push GLI in these countries to the next level and should prioritize pursuing that. In parallel, based on their bilateral priorities, DFAT could replicate a lighter version of the program in select adjacent, lower-income countries like Cambodia, Laos, Pacific island countries, etc. The Pathway 2 team

could leverage their learnings from the current target countries to implement a similar program in the new countries, perhaps working with existing partners expanding into those locations.

## | Approach and methodology

### Purpose and scope of the review

The purpose of the mid-term review is to assess the progress of Investing in Women since the start of its second Phase in 2019 and to inform the development of a concept note and subsequent design of a potential new women's economic empowerment program after June 2023.

The review was conducted between March and June 2021 and covered program progress in all three countries with investments from Pathway 2: the Philippines, Indonesia and Vietnam. The review was structured along with the key evaluation questions (KEQs) included below.

### Key principles followed during the review

The review conformed to the DFAT (2017) Monitoring and Evaluation Standards. The three consulting teams reviewing the three Pathways respectively collaborated on observations and findings across the overall Investing in Women program. Below are the fundamental principles underpinning the approach towards the mid-term review:

- **Utilization-focused:** Keeping a line of sight to the key users of the evaluation and their knowledge needs, to ensure the evaluation serves its original purposes
- **Strengths-based:** Identifying what has worked well and why, while focusing on how to build on these strengths to overcome any challenges encountered
- **Participatory:** Key IW stakeholders were involved and consulted throughout the evaluation. DFAT and IW were briefed on preliminary findings and invited to help sharpen the recommendations
- **Inclusive:** How the program has sought to address gender equity, and its impact on social inclusion was considered
- **Learning-orientated:** The review strived to identify why particular outcomes were achieved (or not) and what can be learned from past experiences to inform future programming
- **Independent:** The review team's independence provided legitimacy to the review and eliminated the potential conflict of interest that could arise if policymakers and managers were solely responsible for reviewing their own activities
- **Triangulation:** The same review questions were explored with a range of key stakeholders to identify commonalities and differences in perspectives, and to bring rigor to the method
- **Ethical:** The evaluation was undertaken with professional integrity, respecting the rights of partners and individuals to provide information in confidence. All efforts were made to be sensitive to the beliefs and customs of local social and cultural contexts and not reflect personal or sectoral interests

- **Complementarities:** A desk review of the program and related documentation was complemented by data collected through key informant interviews with the full range of stakeholders, to ensure a comprehensive data set and a full range of perspectives could be considered
- **Commonality:** Common review questions informed data collection to ensure consistency of inquiry, comparability of data, and transparency with regard to the lines of inquiry
- **Consent and confidentiality:** Any data collected was anonymized to ensure confidentiality. Meaningful consent processes and the principle of “do no harm” was applied

## Key Evaluation Questions (KEQs)

- How relevant and strategic is Pathway 2 to DFAT policy priorities?
- To what extent is Pathway 2 likely to meet its End of Program Outcomes?
- How effectively has Pathway 2 adapted to Covid-19?
- How effectively has Pathway 2 collaborated and coordinated within DFAT, with other programs, and with external organizations?
- How effective and efficient is the program management by the Pathway 2 team?
- How appropriate is the Phase 2 Budget and resourcing to meet End of Program Outcomes?
- How should any future WEE program expand or change?
- How appropriate is the MEL for supporting Pathway 2 monitoring and learning?
- How effective has MEL been in demonstrating results and supporting internal learning?
- How have MEL products and research supported program implementation and beyond IW?

## Stakeholder Analysis

Most stakeholders had insights and perspectives that were relevant to multiple aspects of the program. Hence, the three review teams across Pathways worked with each other and coordinated to ensure that multiple interviews for different Pathways did not overburden stakeholders. The critical stakeholders interviewed for Pathway 2's review are listed below:

- Key Investing in Women staff (Pathway 2 team, Monitoring, Evaluation and Learning (MEL) team and CEO)
- DFAT Gender Equality Branch and Private Finance for Development Section staff:
- Investing partners:
  - Ascend Vietnam Ventures
  - Biduk Indonesia
  - Capital 4 Development Partners
  - Foundation for a Sustainable Society, Inc.
  - InBest Capital Ventures
  - Manila Angel Investors Network
  - Moonshot Ventures
  - Patamar Capital

- Root Capital
- Small Enterprise Assistance Funds
- YCAB Ventures
- EY Australia
- Market-building partners:
  - AVPN
  - Catalyst at Large/ Gender-Smart Investing Summit
  - Impact Investing Summit – Asia Pacific
  - Value for Women

## Sources of insights

There were three primary sources of insights used in the review process:

- A desk review of all program documentation
- Key informant interviews
- Reflection workshops with IW and DFAT

**Key information interviews:** All stakeholders were invited to participate in a 60- or 90-minute interview with the review team. The team developed a suite of semi-structured interview guides to cover the key evaluation questions (KEQs) that was then tailored to each specific stakeholder. The interviews focused on understanding significant learnings, best practices, coherence within the program, and future recommendations.

**Reflection workshops:** Two reflection workshops were held, one with the IW team and the second with the DFAT team. Preliminary findings were presented and areas identified that needed further expansion, explanation, or data. Different perspectives on the findings were explored to add depth to conclusions and recommendations and to build ownership and utility of the results.

**Desk review:** Below is a list of program documents that were reviewed.

- IW Phase 1 review and Phase 2 design update
- External review of (Phase 1) Component 2 (impact investing in women in business)
- Pathway 2 – Phase 2 investment plan
- IW annual plan FY19-20 & FY20-21
- IW biannual progress reports (Jul 2019 to Dec 2020)
- MEL System Phase 2
- MEL End of Phase 1 report
- MEL Pathway 2 learning note
- MEL Pathway 2 progress report (May 2020)
- MEL report: Gender Equality Matters in the Philippines
- The Advance of Impact Investing in South East Asia – 2020 Update
- Landscape report on gender lens investing
- AVPN Virtual Conference Report (June 2020)
- Value for Women: How-to guide for gender lens investing
- Value for Women: Gender strategy
- Value for Women: Deliverable reports
- Value for Women: GLI tools

- Value for Women: Southeast Asia report
- EY Case studies on impact investing partners
- GenderSmart Investing Summit planning
- GenderSmart Investing Summit report
- Impact Investing Summit Asia Pacific workshop reports
- Investing partner documents:
  - Annual reports
  - Progress reports
  - Audit reports
  - Emergency relief action plans
  - Emergency relief investment reports
  - GII action plans
  - GII toolkits
  - IW case studies
  - Other relevant reports and toolkits

## Appendix

### Detailed Key Evaluation Questions – Pathway 2

#### P2 KEQ 1: HOW RELEVANT AND STRATEGIC IS PATHWAY 2 TO DFAT POLICY PRIORITIES?

- P2 1.1 The relevance and contribution of P2 to DFAT policy priorities.
- 
- P2 1.2 The extent to which P2 has demonstrated Australia’s value and maximized Australia’s influence.
- 
- P2 1.3 Any recommendations to improve the contribution of Pathway 2 to DFAT policy priorities or maximizing Australia’s influence.
- 

#### P2 KEQ 2: TO WHAT EXTENT IS PATHWAY 2 LIKELY TO MEET ITS END OF PROGRAM OUTCOMES?

- P2 2.1 Perspectives on financial and impact outcomes of each impact investing partnership.
- 
- P2 2.2 Analyze the effectiveness of Technical Assistance and other services offered by Pathway 2 to impact investing partners.
- 
- P2 2.3 Perspectives on outcomes of each market building partnership.
- 
- P2 2.4 Extent to which Pathway 2 has been able to influence the impact investing and gender lens investing ecosystem.
- 
- P2 2.5 Extent to which Pathway 2 has utilized resources produced by Pathway 3 and contributed to the development of those resources as envisaged in the Theory of Change.
- 
- P2 2.6 Key learnings from the work done by Pathway 2 or any recommendations to improve progress, increase effectiveness or increase the influence of Investing in Women over impact investing and gender lens investing ecosystems in the last 2 years of the program.
- 

#### P2 KEQ 3: HOW EFFECTIVELY HAS PATHWAY 2 ADAPTED TO COVID-19?

- P2 3.1 Perspective on the impact of Covid-19 on the program priorities and the ability of Pathway 2 to achieve the end of program outcomes.
- 
- P2 3.2 Comment on the effectiveness of impact investing partners’ response to Covid-19 and its implications for them.
- 
- P2 3.3 Comment on the effectiveness of market building partners’ response to Covid-19 and its implications for them.
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- P2 3.4 Comment on the effectiveness of the RISE fund in responding to the economic fallout from the Covid-19 pandemic.
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**P2 3.5** Any recommendations to improve the effectiveness of Investing in Women's response to Covid-19.

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**P2 KEQ 4: HOW EFFECTIVELY HAS P2 COLLABORATED AND COORDINATED WITHIN DFAT, WITH OTHER PROGRAMS AND WITH EXTERNAL ORGANISATIONS?**

**P2 4.1** Comment on the effectiveness and relevance of Pathway 2's collaboration and coordination with other DFAT programs, private investors and organisations working on women's economic empowerment (like World Bank, IFC UN Women etc.).

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**P2 4.2** Comment on the importance of DFAT bilateral program buy-in (in particular by the embassies) to the effectiveness of Pathway 2.

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**P2 4.3** Determine the importance of Pathway 2 to prioritise sourcing other donor/philanthropic partnerships and funding in support of Investing in Women activities.

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**P2 4.4** Any recommendations to improve collaboration with DFAT, embassies, other DFAT programs or with external organisations.

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**P2 KEQ 5 HOW EFFECTIVE AND EFFICIENT IS THE PROGRAM MANAGEMENT BY THE PATHWAY 2 TEAM?**

**P2 5.1** Perspectives on program management, staff resourcing, support provided by Investing in Women, including MEL support.

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**P2 5.2** Analysis of staff resourcing of Pathway 2 and types of support provided by different teams within Investing in Women.

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**P2 5.3** Assess the opportunities and potential for stronger synergies with other DFAT investments in development finance such as the Emerging Markets Impact Investing Fund (EMIIF) etc.

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**P2 5.4** Any recommendations to improve the effectiveness and/ or efficiency of Pathway 2 team's program management.

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**P2 KEQ 6 HOW APPROPRIATE IS THE PHASE 2 BUDGET AND RESOURCING TO MEET END OF PROGRAM OUTCOMES?**

**P2 6.1** Perspective on the budget and resourcing for Pathway 2.

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**P2 6.2** Comment on the size of investments in impact investing partners and size of grants for the market building partners.

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**P2 6.3** Any recommendations on the budget and resourcing for Pathway 2.

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## **P2 KEQ 7 HOW SHOULD ANY FUTURE WEE PROGRAM EXPAND OR CHANGE?**

- P2 7.1** Recommend any changes, additions or adjustments that could be useful for any future WEE program.
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- P2 7.2** Comment on the trade-offs of positioning any future WEE program as a stand-alone program, a part of an integrated (new) WEE program or a part of any other DFAT program.
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- P2 7.3** Comment on the appropriateness and feasibility of a geographical expansion for any new WEE program.
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## **P2 KEQ 8 HOW APPROPRIATE IS THE MEL FOR SUPPORTING PATHWAY 2 MONITORING AND LEARNING?**

- P2 8.1** Comment on the adequacy and appropriateness of the MEL Framework and TOC for Pathway 2.
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- P2 8.2** Comment on the effectiveness of MEL's collaboration with Pathway 2 partners to strengthen their capacity.
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- P2 8.3** Identification of Covid-19 impact and analysis of how this might have impacted the program logic.
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- P2 8.4** Any recommendations on improving MEL support to Pathway 2 monitoring and learning.
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## **P2 KEQ 9 HOW EFFECTIVE HAS MEL BEEN IN DEMONSTRATING RESULTS AND SUPPORTING INTERNAL LEARNING?**

- P2 9.1** Perceptions on how supportive the MEL system (its data, products, processes etc) for learning and activity support towards outcomes.
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- P2 9.2** Perceptions on how effective the MEL system has been in demonstrating results.
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- P2 9.3** Any recommendations on improving MEL support to Pathway 2 in demonstrating results and supporting internal learning.
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## **P2 KEQ 10 HOW HAVE MEL PRODUCTS AND RESEARCH SUPPORTED PROGRAM IMPLEMENTATION AND BEYOND INVESTING IN WOMEN?**

- P2 10.1** Comment on the effectiveness of research commissioned by Investing in Women to support Pathway 2 program implementation.
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- P2 10.2** Comment on the research products developed within Investing in Women being useful for impact investors and gender lens investors outside of Investing in Women's partners.
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- P2 10.3** Any recommendations on improving MEL products and research support for Pathway 2 program implementation and the broader impact investing and gender lens investing ecosystem.
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## List of acronyms

<b>ADB</b>	Asian Development Bank
<b>AUM</b>	Assets under management
<b>AVPN</b>	Asian Venture Philanthropy Network
<b>AVV</b>	Ascend Vietnam Ventures
<b>BC</b>	Business Coalitions (Pathway 1)
<b>C4D</b>	Capital for Development
<b>DFAT</b>	Australian Department of Foreign Affairs and Trade
<b>DFI</b>	Development finance institution
<b>DFS</b>	DFAT's Private Finance for Development Section
<b>EMIIF</b>	DFAT's Emerging Markets Impact Investment Fund
<b>EOPOs</b>	End of Program Outcomes
<b>GEB</b>	Gender Equality Branch
<b>GLI</b>	Gender lens investing
<b>GSIS</b>	GenderSmart Investing Summit
<b>IGN</b>	IW Pathway 3's Influencing Gender Norms strategy
<b>InBest</b>	InBest Capital Ventures
<b>IW</b>	Investing in Women
<b>IWEF</b>	Indonesia Women Empowerment Fund
<b>iXc</b>	DFAT's InnovationXchange Aid Program
<b>KEQs</b>	Key Evaluation Question
<b>KII</b>	Key Informant Interview
<b>LP</b>	An investment vehicle's limited partner
<b>MAIN</b>	Manila Angel Investors Network
<b>MEL</b>	Monitoring, Evaluation and Learning
<b>MTR</b>	Investing in Women's mid-term review

SDG	UN Sustainable Development Goals
SEAF	Small Enterprise Assistance Funds
SME	Small and medium enterprise
TA	Technical assistance
ToC	Theory of Change
VfW	Value for Women
WEE	Women's economic empowerment
WGE	Workplace gender equality
WSME	Women-owned/led Small to Medium Enterprise



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