

# SERVING THE FINANCIAL NEEDS OF WOMEN-OWNED BUSINESSES IN EMERGING MARKETS:

## PERSPECTIVES FROM THE DUTCH GOOD GROWTH FUND PORTFOLIO

JULY 2019



Ministry of Foreign Affairs

# Acknowledgements

## Commissioned by:

The Dutch Good Growth Fund (DGGF) / Investment funds for local SMEs

The Dutch Good Growth Fund, part Investment funds for local Small and Medium Enterprises (SMEs), is a “fund of funds” investment initiative from the Dutch Ministry of Foreign Affairs. The initiative aims to improve financing for the “missing middle” – i.e. entrepreneurs who have outgrown microfinance but do not yet have access to regular financial services. The Seed Capital and Business Development (SC&BD) program was established to increase the impact of DGGF by providing technical assistance, seed capital and business support services to intermediary investment funds and local SMEs. The program incorporates a knowledge development and sharing component that supports research, tests assumptions and shares insights into financing SMEs in developing countries and emerging markets – fostering industry-wide knowledge exchange.

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## Acknowledgements:

Cover Photo credit: © Gazelle Finance 2019. Gazelle Finance has invested in bakery Degusto. During the period of investment, the company increased from 123 to 209 employees, 75% of whom are women.

Thank you to the many people who contributed to the content of this report, either by participating in interviews, supplying data or sharing information and insights. Our particular thanks go to representatives of the managers of funds DGGF invests in, who provided their views on gender lenses in their work. These include: E.N. Venkat (Aavishkaar); Jarl Heijstee (XSML); Ritu Verma and Rema Subramanian (Ankur Capital); Ambar Amleh (Ibtikar Fund); Andrew Carruthers and Sapna Shah (Novastar Ventures); Joseph Boakye-Yiadom and Matthew Boadu Adjei (Oasis Capital); Mark Kahn and Reihem Roy (Omnivore Partners); Jeffrey Liebert and Natia Janelidze (Gazelle Finance); and Arigye Munyangabo, Rita Odero, Obasola Dele-Oni, and Guido Boysen (Grofin).

Thank you to those entrepreneurs who provided their perspectives and experiences on accessing capital: Laila Akel (RedCrow), Christina Ganim (Kenz Woman), Poonam Bir Kasturi (Daily Dump), Nidhi Mathur (Niramai), Manana Gvirjishvili (Pesvebi), Gbemi Olowookere (Chalcedony School) and Gayathri Swahar (Y-Cook).

We would also like to thank the representatives of institutional investors and ecosystem stakeholders who shared their respective strategies, tactics and ideas: Arpita Raksit and Jen Braswell (CDC); Stephanie Kimber, Mary James, and Trisha Gray (DFAT); James Soukamneuth (Investing in Women Initiative); Amanda Jupp (Pacific RISE); Saskia Vossenbergh (FMO); Marloes van den Berg (BIO); Heather Kipnis (IFC); Gwenaëlle Niault (PROPARCO);Carolynn Poulsen (Criterion Institute); and Virgilio Barco (Acumen).

## Graphic design provided by:

Enriched Creative and Too Many Words

## Disclaimer:

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# Executive summary

The Dutch Good Growth Fund (DGGF) part 'Investment funds for local SMEs' is a "fund of funds" investment initiative of the Dutch Ministry of Foreign Affairs that aims **to improve access to finance for the "missing middle" – enterprises which are considered too big for microfinance institutions, and too small and too risky for traditional financiers**. DGGF aims to foster innovative financing products and **invest in specific target groups**, i.e. entrepreneurs in fragile states, young entrepreneurs and **female entrepreneurs that face high barriers to attracting capital**. DGGF set out to identify where and how it is currently reaching female entrepreneurs, and to gain a better understanding of what capital providers (i.e. both institutional investors who also operate funds of funds and local fund managers) can do to better serve female entrepreneurs' financial needs. The research focused on what could be learned by concentrating on the SMEs financed by the funds in which DGGF has invested<sup>1</sup>. These insights were supplemented by information from interviews and research available in the public domain.

The analysis of the DGGF Portfolio revealed that 20% of the underlying SMEs are majority or minority owned by women. 28% of the invested capital reached this segment through a variety of instruments. These women-led SMEs tend to focus on manufacturing, agriculture, education, and retail, with the majority of the companies based in Sub-Saharan Africa.

**Despite the supportive attitude of fund managers, very few apply gender considerations or mandates when assessing opportunities or deploying capital.** In order to be able to invest in women-owned businesses, fund managers need to proactively seek out female entrepreneurs and know how they go about their work, as women may not actively seek external financing.

**Institutional investors are actively pursuing gender strategies and most are applying multiple gender lenses (not just +51% ownership).** Many investors are collaborating with other players, something they consider necessary to arrive at consensus on definitions, create an effective evidence base and to scale the sector. At the same time, institutional investors are not consistently providing fund managers with feedback on results or experiences, making it difficult for fund managers to assess what is and is not working and where women are getting lost in the investment process. Closer collaboration and continuous feedback would also help sector players to develop and share best practices that could benefit all the stakeholders in this sector.

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## More gender-sensitive strategies need to be implemented in order to realise the business case for investing in female entrepreneurs.

The business case for investing in female entrepreneurs has already been demonstrated. However, fund managers and institutional investors still need to gather evidence and discuss progress on what does and does not work. A greater spotlight on female entrepreneurs should showcase their successes and help shift mindsets. Expanded gender lenses will also help to further the case for the potential broader impact of investing in women-owned businesses.

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## Institutional investors and fund managers need to make a more deliberate effort to incorporate gender considerations in their investment lifecycle.

One recommendation is to increase the number of female investment managers and investment committee members at both fund manager and institutional investor levels. Another recommendation is to embed gender considerations and tools in every stage of the investment process, from pipeline through to monitoring and exit planning.

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## Patient capital, i.e. investment capital with a longer-term perspective, and gender inclusive services, are needed to help women expand their businesses.

Female entrepreneurs and fund managers confirmed the need for patient capital (which is acknowledged as a sector-wide need for growing sustainable businesses, no matter the gender of the business owner). All entrepreneurs and their teams should be able to access a variety of non-financial services that are gender inclusive. Although female entrepreneurs do not need specially tailored services, they and their teams should be able to work with providers who demonstrate gender awareness and sensitivity.

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<sup>1</sup> The DGGF Portfolio sample used for the purposes of the current research excludes data from financial institutions invested in by DGGF, to only include mezzanine, venture capital and private equity funds in which DGGF was invested as of December 2017.

# Introduction

As many as 70% of women-owned small and medium-sized enterprises (SMEs) in the formal sector in emerging economies are un-served or underserved by financial service providers – a financing gap of around 285 billion USD<sup>2</sup>. Over a quarter of the female entrepreneurs running formal SMEs in emerging economies cite access to finance as a major barrier for their business' growth<sup>3</sup>. Whereas it has been researched and demonstrated that investing in women-owned and -led businesses makes business sense. Fund managers and institutional investors are increasingly using a gender lens to invest in women-owned businesses. However, current industry knowledge is limited. The scarcity of data is hindering research, as does the lack of a comprehensive assessment of capital flowing to female entrepreneurs across investment types.

This study, commissioned by The Dutch Good Growth Fund (DGGF)/Investment funds for local SMEs, was designed to identify where and how DGGF is currently reaching female entrepreneurs and to gain an understanding of what capital providers (institutional investors and fund managers) can do to better serve female entrepreneurs' financial needs. The intention is to help DGGF and the sector move forward with solutions that address the financing gap for female entrepreneurs.

Investing with a gender lens is the “deliberate incorporation of gender factors into investment analysis and decisions. It is also the deliberate use of capital to improve the lives of women and girls and/or to get capital to companies, funds, and investment vehicles with a focus on women throughout value chains, products and services, or leadership”<sup>4</sup>. Not all investors and fund managers have a gender lens, and not all gender lenses are the same.

**DGGF's current gender lens focuses on investing in intermediary funds that finance women-owned businesses: investments in businesses where women have an ownership stake equal to or greater than 51%.** This is the definition that DGGF uses in target setting (and is also the current World Bank definition). However, DGGF's investments also have an impact on women who lead or benefit from businesses. For this particular study, the research has considered female business owners with majority and minority stakes, female founders, and female managers of businesses.

In this report, the Approach section outlines the research methodology. The Overview of the DGGF portfolio shares insights from the analysis of data available on the aggregated portfolio of all underlying SMEs among a sample DGGF's investees as of 31 December 2017. The Qualitative insights are drawn from interviews with female entrepreneurs (underlying investees), fund managers and institutional investors. The final section, Conclusions and the way forward, lists a number of conclusions from the study.

## About DGGF/Investment funds for local SMEs

DGGF/Investment funds for local SMEs aims to reach out to underserved markets, foster innovative financing products and invest in specific target groups (young and female entrepreneurs and entrepreneurs in fragile states who face high barriers to attracting capital). DGGF may invest in intermediary funds that target the 'missing middle', i.e. enterprises who are neither served by microfinance nor traditional financial service providers, in 70 markets. In addition to the fund of funds that invests in intermediary funds, which in turn invest in local businesses, DGGF provides its investees with technical assistance to strengthen their own capacity and operations. It also offers business development services (BDS) to provide support to their investee SMEs and their broader ecosystem. To increase its impact, DGGF may also support local initiatives that provide quality and affordable capacity-building services to young and first-time entrepreneurs. Finally, DGGF develops and shares practice-based knowledge:

by working with and learning from investees, co-investors and other field builders (as per the current report). Examples of DGGF's interventions related to gender lens investing include:

- Technical assistance to fund managers to strengthen their gender lens investing fund proposition and incorporate a gender lens in their investment processes
- Support to fund managers to offer (tailored) BDS to client SMEs
- Assistance to incubators and accelerators that accompany the growth of local businesses, including women-owned businesses
- Introduce best-effort targets related to financing women-owned SMEs through the fund DGGF is invested in
- Experimenting with financial incentives linked to gender targets

2 IFC and Goldman Sachs entrepreneurship credit gap findings, referenced [here](#) and many other sources. Original references include '[International Finance Corporation Enterprise Finance Gap Database](#)', [International Finance Corporation, 2013](#) and [Giving Credit Where It Is Due: How closing the credit gap for women-owned SMEs can drive global growth](#), Goldman Sachs, February 2014.

3 [Giving Credit Where It Is Due: How closing the credit gap for women-owned SMEs can drive global growth](#). Goldman Sachs, Global Markets Institute, February 2014.

4 Definition of gender lens from Wharton Social Impact Initiative's [Project Sage](#).

## Approach

This study was designed to improve the understanding of the challenges and opportunities involved in financing women-owned businesses in emerging markets. It looks at how capital flows to these businesses: who is involved, the roles they play, the tools they have, and how they interact with each other.

The research first focused on what could be learned by concentrating on SMEs financed by the funds DGGF has invested in (“DGGF Portfolio”). The analysis and insights from the data were supplemented by qualitative information gathered via interviews with stakeholders and research available in the public domain. A full overview of the qualitative and quantitative inputs and analysis methods can be found in the figure below. Detailed methodology notes can be found in Annex 1.

The research team employed an iterative process, which allowed for adjustments of interview questions based on learnings. Portfolio data analysis and a literature review supported the original formulation of hypotheses, used in round 1 interviews for each stakeholder type. Those interviews then informed interview questions in round 2.



## Research



### Data Analysis

(Sample size of 374 SMEs)

Data collected by DGGF for all of their funds

Data collected from the interviewed fund managers



### Literature Review

(22 sources)

Publicly available information

Internal DGGF sources

Publications dating from 2013-2018

Activities & Targets

Geographic and sector characteristics of funded businesses

Percentage ownership belonging to women

Ticket size and fund type

Topics

Gender lens definitions, framing, and goal setting

Understanding positioning of gender as an opportunity

Role of women investing in women-owned businesses

Distinctions of female entrepreneurs

Role of the ecosystem



## Interviews<sup>5</sup>



### Female entrepreneurs

(7)

Ownership stake in a business

Invested in by one of the interviewed fund managers

History of building and growing a business as a female business owner

Challenges and opportunities of being a female business owner seeking capital and support

Specific technical assistance and investment needs (past, present and future)

How investors can better seek out, engage with and invest effectively in women-owned businesses



### Fund Managers

(10)

Located in developing and emerging markets

Invested in by DGGF

Offering early stage and growth equity, debt, and /or mezzanine financing to local SMEs

Gender lens definitions

How women-owned businesses are identified in deal sourcing, pipeline development

Financing and technical assistance for women-owned businesses

Gender composition of the organisation and investment committee

Operational context and how that might affect gender issues

Where gender fits into the investment strategy, from intention to execution



### Institutional Investors

(6)

Institutional investors who work alongside DGGF supporting emerging market funds

Gender in the investment strategy

Gender lens definitions and gender goals

Measurement, metrics, and reporting

Building capacity and know-how

Data analysis and literature review: gather evidence and analyse emerging trends

Round 1 interviews: test initial hypotheses

Round 2 interviews: refine hypotheses, deepen insights

<sup>5</sup> The numbers in column headings reflect number of organisations. Multiple people took part in interviews from some of the fund managers and institutional investors, either in a group interview format or in several individual interviews. Two more organisations were recommended by interviewees, representing one ecosystem actor and one DGGF-supported fund that has not yet deployed capital.

# Overview of the DGGF portfolio data

The research team analysed the portfolio data of funds DGGF had invested in as of December 2017<sup>6</sup>, to understand how and where DGGF is reaching female entrepreneurs. Due to their track record of financing very small women-owned businesses, the sample excluded financial institutions, focusing only on private equity, venture capital and mezzanine funds that invest in local SMEs (“underlying SMEs”). The study included a total of 10 funds and 374 underlying SMEs, mostly based in Sub Saharan Africa, with information on the investment instrument<sup>7</sup>, sector, share of women’s ownership, and total capital invested. Of these SMEs, 75 had at least one woman owner (some were majority owners and some minority owners).

## A significant portion of investments reach female entrepreneurs

DGGF’s primary gender lens focuses on financing women-owned businesses, defined as enterprises in which women hold 51% or more ownership. **13% of DGGF’s underlying SMEs are majority owned by women.** DGGF also reaches female entrepreneurs through its support of banks and other financial institutions that provide debt to women-owned SMEs. This is a different financial mechanism with its own characteristics and is outside the scope of this study on funds. However, it may be noted that when including financial institutions, DGGF supports 2,733 SMEs. A total of 809 (or 30%) of these SMEs have some degree of female ownership, and 696 (or 25%) are majority (+51%) owned by women.

To provide an accurate picture of the true scope of DGGF’s current outreach to female entrepreneurs, this analysis includes enterprises that are both minority and majority owned by women. **20% of DGGF’s underlying SMEs have at least one woman in the ownership team.**

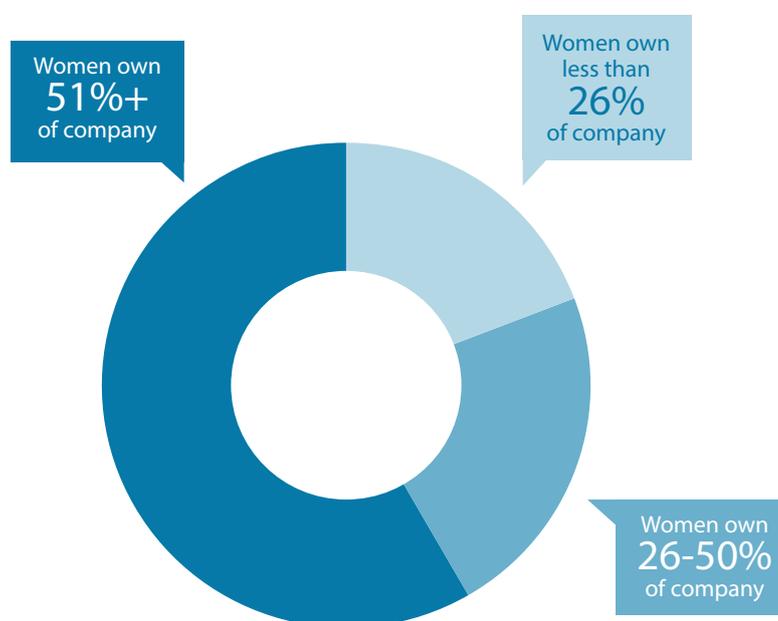
Of the total of 237 million USD<sup>8</sup> DGGF has deployed via intermediary funds, 65.8 million USD was invested in enterprises with women who held majority or minority ownership. **This represents 28% of the portfolio volume.**

The figure below shows the breakdown of SMEs in which women hold a majority or minority ownership stake.

### Investment in female entrepreneurs

While the gender lens investing of private capital through structured vehicles with an intentional gender lens has grown significantly in recent years (private equity, venture capital, and private debt totalled over 2.2 billion USD in 2017–2018<sup>9</sup>), the total volume to women-owned businesses remains disproportionally lower than the total volume to men-owned businesses. Venture capital (VC) investment volumes are the most comprehensively studied and provide an indication of trends. In 2017, global VC investments in businesses fully or partly owned by women accounted for just 14.2% of the total investment volume (with 2.2% going to businesses with women-only teams)<sup>10</sup>. A recent IFC study of 6,000 GPs making private equity or venture capital investments found “emerging market female entrepreneurs receive only about 7% of investment capital, and less than 20% of senior leadership teams that receive capital are gender balanced [in which at least 30% of the leadership team are women]”<sup>11</sup>.

### Overview of women-owned SMEs in the DGGF Portfolio: breakdown of women’s majority and minority ownership stakes



6 DGGF / Investment funds for local SMEs was officially launched in July 2014.

7 Investment instruments analysed were private equity, mezzanine, and venture capital.

8 Calculated in 31 December 2017 USD.

9 Wharton Social Impact Initiative’s [Project Sage](#).

10 [Valentina Zarya, Fortune, “Female Founders Got 2% of Venture Capital Dollars in 2017,” January 2018.](#)

11 [International Finance Corporation, “Moving toward gender balance in private equity and venture capital,” 2019.](#)

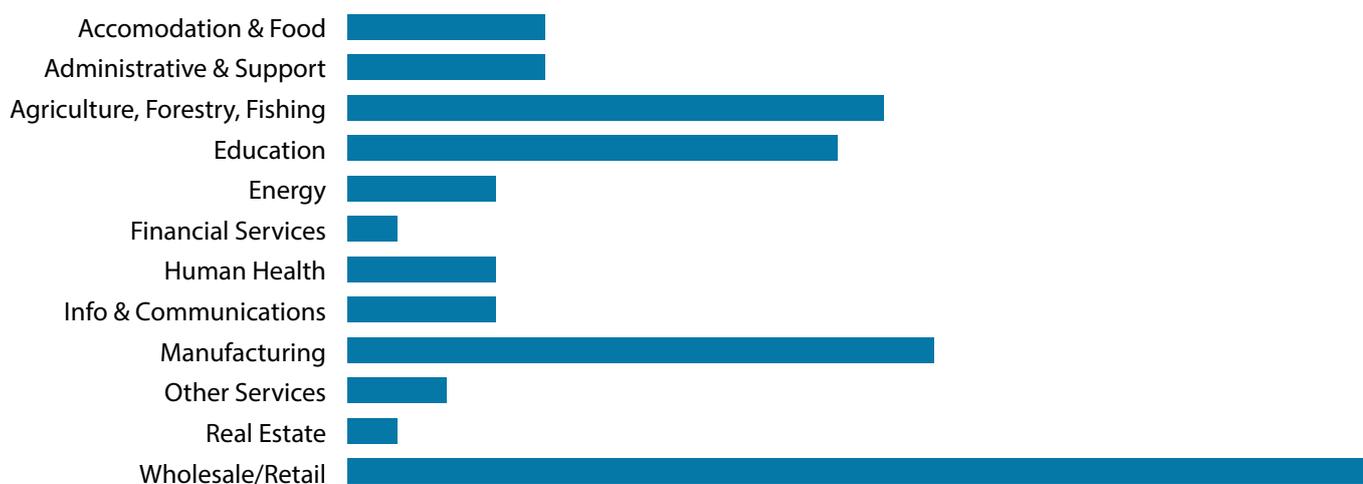
## Outreach is not evenly distributed across geographies

Given the geographic scope of DGGF, 70 countries, of which half are in SSA<sup>12</sup>, most of the underlying investees in the DGGF Portfolio are SMEs operating in Sub-Saharan Africa, followed by the Middle East and North Africa (MENA), and then Asia. Similarly, most SMEs that are majority or minority owned by women are in Sub-Saharan Africa (71%), followed by MENA and Asia (19% and 10% respectively).

## Women's businesses are concentrated in retail, manufacturing, agriculture, and education sectors

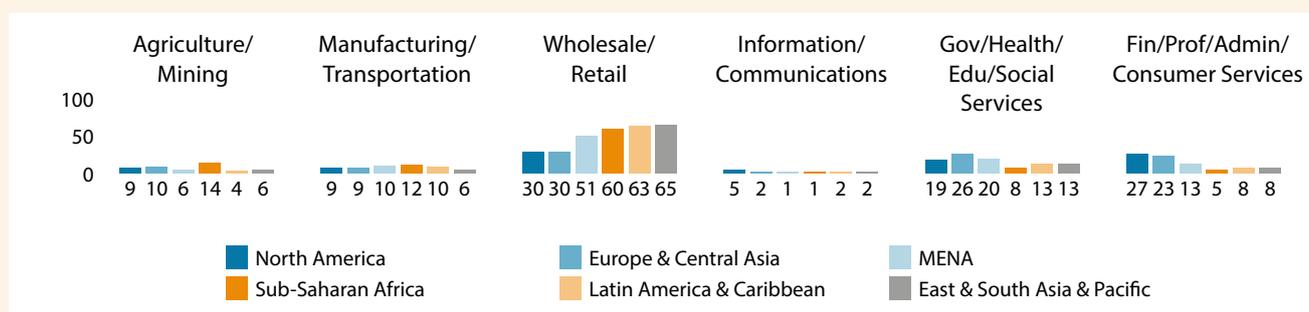
Women-owned SMEs in the DGGF Portfolio operate across sectors, as shown in the figure below. Wholesale/retail, manufacturing, agriculture, and education are the most common sectors. Globally, women-owned SMEs are most commonly found in these same sectors. In many regions (MENA, Sub-Saharan Africa, and East and South Pacific), more than half of women's businesses are in the wholesale/retail sectors. The DGGF Portfolio differs from the market at large in that it is less concentrated in wholesale and retail. This is expected. For reasons unrelated to gender, the funds DGGF supports are not targeting this sector.

Women-owned SMEs by sector (majority and minority ownership)



## Female entrepreneurship around the world

Female entrepreneurs run businesses in every sector and geography, and they do so successfully. In fact, gender diverse teams were found to be more profitable in the long run than men-only teams<sup>13</sup>. There are, of course, variations across markets. As a basis for the analysis that follows, this report relies on the most current global data on female entrepreneurship rates from the Global Entrepreneurship Monitor's "Women's Entrepreneurship 2016/2017 Report." The distribution of women's businesses by sector and geography are given in the figure below.



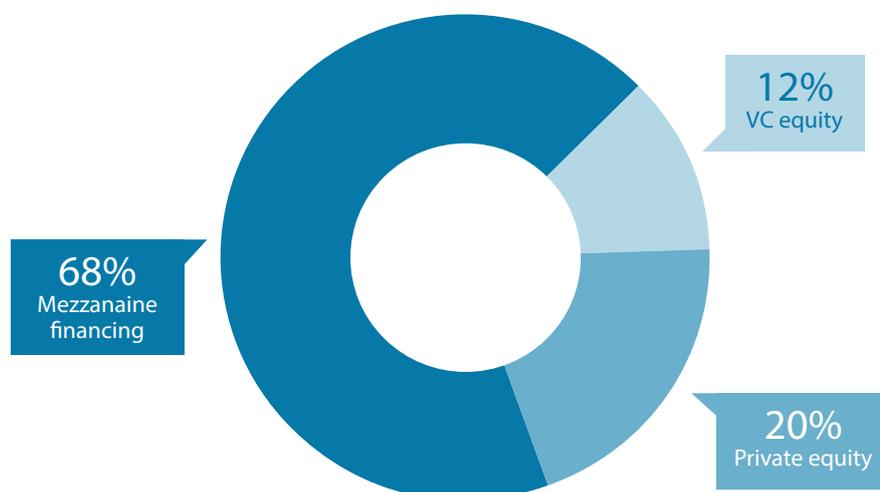
<sup>12</sup> DGGF country list is available [here](#)

<sup>13</sup> Gopal V. Krishnan and Linda M. Parsons, "Getting to the Bottom Line: An Exploration of Gender and Earnings Equality," Journal of Business Ethics, Volume 78, Numbers 1-2, 2007, as referenced in Veris Wealth Partners in "Women, Wealth and Impact Investing with a Gender Lens," 2013.

## A variety of capital instruments are serving female entrepreneurs' financial needs

Over two-thirds of SMEs owned by women are financed via mezzanine financing, followed by private equity and then venture capital. This is to be expected given the size of mezzanine funds' portfolios which are larger than the private equity and venture capital ones, as a result of their different investment strategies.

Women-owned SMEs by instrument (majority and minority ownership)



Similarly, all of the funds with higher levels of investment in SMEs with female owners (majority or minority) were private equity or venture capital funds. This is also in line with the typically lower investment size of mezzanine instruments compared to venture capital and private equity.

## KEY FINDINGS

	Sub-Saharan Africa	MENA	Asia
% SMEs in region that are +51% owned by women	13%	17%	0%
% SMEs in region that are 26-50% owned by women	3%	4%	12%
% SMEs in region that are <26% owned by women	2%	6%	35%
% SMEs in region that are 100% owned by men	82%	73%	53%
Top sectors for women	Agriculture, Wholesale/Retail, Manufacturing, Education	Wholesale/Retail, Education	Electricity and Gas, Manufacturing, Wholesale/Retail

- In the DGGF Portfolio, 20% of the underlying SMEs are majority or minority owned by women.
- 28% of invested capital has gone to SMEs majority or minority owned by women.
- In the DGGF Portfolio, women's businesses are concentrated in the manufacturing, agriculture, education, and retail sectors (although the proportion of women's retail SMEs is much higher in the market as a whole).
- Women receiving funding in this portfolio are broadly distributed across investment instruments.

# Qualitative insights

Quantitative findings from the portfolio data were supplemented by qualitative findings based on interviews of seven female entrepreneurs, ten fund managers, six institutional investors and DGGF staff. In many cases, the researchers interviewed several representatives of the organisations, taking the total number of interviews to 42. The interviews were designed to answer the questions:

- What can DGGF (and other institutional investors) learn from female entrepreneurs who have accessed finance to expand their business?
- What are fund managers doing, what can they do better, and how can institutional investors help?
- What are other institutional investors doing that DGGF can learn from and how might they work together?

Findings are presented by stakeholder group, starting with female entrepreneurs, followed by fund managers and then institutional investors.

## Female entrepreneurs

The following observations are based on interviews with seven female entrepreneurs who received financing via funds DGGF has invested in. Their experiences add specificity to the portfolio analysis by adding the voices and experiences of women who have successfully accessed finance. The findings are supported by referenced research.

### Women care about building strong teams

The female entrepreneurs interviewed expressed that they care about retaining mission-aligned employees of either gender, and are more likely to hire women. This is supported by a Barclays Wealth and Investment Management study conducted in 2013. "Unlocking the Female Economy: The Path to Entrepreneurial Success" that found women were better at attracting talent and building teams loyal to the company's mission, and that one of the keys to their success is empathy with employees.

### Women face bias

All the women interviewed said their experience with funds DGGF had invested in were positive. However, those who had engaged with other funds shared experiences that they believed to be gender biased<sup>14</sup>.

- Some had faced assumptions that they valued social impact to the exclusion of profit.
- Technical questions were directed toward a male colleague in the room.
- They had difficulty ensuring their opinions were heard.
- Some women experienced bias from service providers, such as financial and legal professionals and consultants recommended by fund managers or involved in the due diligence and investment process.

"We want to maintain an 80:20 ratio of female to male staff. [We are] working over the next years to...pay three times the minimum wage, which is especially important for women on the team to sustain themselves and to not have to rely on someone else in their family. We could communicate this more openly to future investors."

Entrepreneur/underlying investee

"One [non-DGGF supported] investor I talked to asked me why I needed to be profitable enough to take a salary if my husband worked. He wanted the profit for himself."

Entrepreneur/underlying investee

14 This experience of bias is supported by industry literature, including [Michael Ewens, Richard R. Townsend. "Are Early Stage Investors Biased Against Women?" SSRN Electronic Journal, 2017.](#)

## Women are not often actively seeking capital

Most interviewees said that they had been approached by fund managers (partners or others) or referred through networks to access their first round of external capital. Most had been financing their businesses through personal savings, business profits and in some cases bank debt and were not actively seeking capital. For these entrepreneurs DGGF-supported fund managers were their first experience of the likes of due diligence, negotiations and closing. Several credited their investors with providing guidance on how to navigate the investment process (e.g. partnerships with incubators, lawyers), and with preparing them for a second round of investment (including referring them to potential follow-on investors).

Thanks to the positive experiences of the first investment, most of the female entrepreneurs have actively sought out follow-on investment.

## When they do, women aim for long-term growth and seek patient capital

Financial service providers often regard women as risk-averse<sup>15</sup>. The women interviewed disagreed about whether women are more or less risk-averse than men, but they all agreed that they believed women tend to think in terms of calculated risks, to manage long-term sustainable growth. The women interviewed felt that to achieve this long-term sustainable growth, longer time horizons for return of capital (i.e. more patient capital) is needed. There was no consensus on whether specific instruments were preferred or more appropriate.

## Women are not requesting differentiated technical assistance for themselves

There was no perceived difference in terms of training needs or technical assistance for women.

Nevertheless, technical assistance can be valuable to female entrepreneurs, just as it is to men. The female entrepreneurs interviewed identified areas of training (such as how to access additional markets, financial and business planning, and legal advisory) that could benefit their businesses but were quick to point out that those needs were not specific to them as women. Rather, they were what any entrepreneur in their sector or phase of business would need.

“Even my male partners have noticed it. Sometimes the person in front of you doesn’t value your idea enough or cuts you off. I have to appear to be more aggressive or stronger than my partner to get my idea across. He does not need a lot of passion; I have to repeat myself. But I am the one who knows the most about the operations of the company.”

Entrepreneur/underlying investee

## KEY FINDINGS

- Female entrepreneurs care about hiring women and retaining loyal teams.
- Female entrepreneurs face bias, especially in due diligence and negotiations.
- Female entrepreneurs are approached by fund managers, and may not proactively look for external financing.
- Female entrepreneurs want patient capital.
- Female entrepreneurs do not need different or more technical assistance, but want providers to be gender sensitive.

<sup>15</sup> For example, [Barclays Wealth & Investment Management, “Unlocking the Female Economy: The Path to Entrepreneurial Success,” January 2013](#) states, “Academic research has consistently shown that women are more risk averse than men and are less likely to describe themselves as financial risk-takers. For female entrepreneurs, this attribute has some benefits as it can minimise the danger that they will take excessive risks or over-commit resources, and makes it more likely they will put appropriate safeguards in place. But the more cautious approach to risk-taking that many women exhibit can have its downside because they may miss opportunities or lose out to competitors who are more willing to take risks.”

## Fund managers

The following observations about gender lens investing at the fund level are the result of interviews with ten fund managers.

### Fund managers working with DGGF have a supportive attitude towards female entrepreneurs

To assess gender representation, outreach and impact at fund manager level, this study used two different framings: attitude and execution. Both were considered to determine if and how attitudes about gender lens investing resulted in gender lens investment decisions.

The research team assessed attitude through a qualitative interpretation of fund managers' responses to questions about gender, positioning around gender lenses, and the perception of gender in teams and investment decisions. Based on their responses, fund managers were categorised as gender champions (interested and proactive), gender supporters (interested but challenged as to how to deal with gender considerations), or gender sceptics (not interested in gender considerations).

Execution was assessed on the basis of gender investing activities of the specific fund that DGGF had invested in. Each fund was categorised as: gender not considered, gender not referenced, gender consideration, gender mandate, and quantified gender mandate<sup>16</sup>.

Two fund managers were found to be gender champions with gender considerations already in place and two were found to be gender champions with gender referenced in their strategy. Six fund managers are gender supporters but have not yet considered gender in their strategy. There is a correlation between attitude of the fund manager and gender considerations and references in their fund, but this is not currently translating into gender mandate funds.

A visual representation and criteria for categorisation is given in the figure on the next page.

<sup>16</sup> The classifications of the funds' gender criteria were assessed matching investment theses and decisions to a pre-established framework of gender inclusion in funds, which comes from the Wharton Social Impact Initiative's [Project Sage](#). These are:

- Quantified Gender Mandate: Quantified thresholds on gender-related metrics as part of stated investment criteria
- Gender Mandate: Positive screen on gender-related metrics as part of stated investment criteria
- Gender Consideration: Gender as one factor of analysis
- Gender Not Referenced: Funds that consistently use a gender lens, but do not publicly state it
- No Gender Consideration or Reference: No consideration of gender or application of gender lenses



Buy-In & Execution:

## Investing in women

Gender  
**Quantified Mandate**

Gender  
**Mandate**

Gender  
**Consideration**

Gender  
**Referenced**

Gender  
**Not Considered**

Gender  
**Champions**

Gender  
**Supporters**

Gender  
**Sceptics**

- We should take a more proactive gender approach in our pipeline and investing activities
- Our investment portfolio should mirror the % of investable women-led businesses in our geography that match our investment thesis
- We should deliberately and actively fund women-led businesses
- Our organisation's composition should reflect our ambition

- We are supportive of a more gender-aware approach in our pipeline and investing activities
- We should include more consideration of where gender shows up in our work and in our own organisation or way of working

- No reason why gender should be a consideration in the work we do
- No reason to pursue more gender equity in my organisation or investment committee

execution

attitude

The following text boxes represent the perspective of Gender Champions and Supporters.

## Gender champions' rationale for gender lens investments

### Impact and equality

"There is an opportunity to rebalance the gender issue, recognising that women are vital to society through both social and economic lenses."

"Women are underserved and disadvantaged, and we need to offer them the right opportunities, products and services to address this."

"Investment should be proportional to the number of female entrepreneurs in the geographies and sectors where we operate if they meet our investment criteria."

### Investment opportunity and financial returns

"Women are good clients: they manage risk, operate their business with discipline, and pay back money."

"We need to make gender an issue – we are missing good investment opportunities."

## Gender supporters' barriers\* to gender lens investments

### Lack of female entrepreneurs

"There are so few companies in our frontier market that meet our investors' requirements. If you added a gender lens on top of that, our pipeline would be reduced by 70%."

"We don't see enough women."

"There are not enough women-owned businesses at the growth stage where our financing applies: maybe there is a lack of earlier stage capital for these women."

### Cultural challenges

"There are not enough women getting college degrees in the region for the sector we are targeting."

"Women have all of the family responsibilities alongside growing equity-backed companies."

\*The research did not include determining whether these barriers are perceived or real.

## How to recognise a gender champion in the making

### Interview with Guido Boysen, CEO Grofin

Guido Boysen, CEO of Grofin, attended a learning event about gender and financing and realised that the challenges that Grofin is working to overcome in emerging markets are "twice as prominent" among women-owned businesses as in the market as a whole. Female entrepreneurs may lack collateral, may operate in informal environments and sectors and lack networks. Grofin likes to invest in grounded, practical businesses. When businesses approach Grofin (women and men), they don't always have a good grasp of how much money they need. Grofin helps them develop a business plan and financial model, which in turn helps them determine how much they actually require. If female entrepreneurs are running the risk of under capitalising their businesses, this process would help them. Grofin also provides technical assistance and recognises that women sometimes lack formal business and management training. Grofin works with a number of organisations to support their female entrepreneurs through mentorship programmes.

Guido wanted to commit to serving women but was well aware that Grofin had more to learn. In a similar exercise to this study, his team conducted an analysis of the existing women-owned businesses in Grofin's portfolio and found some were outperforming the other entrepreneurs.

**"Currently we have a fairly generic approach – we treat everybody the same. What I learned is that there are a number of best practices that we need to consider, because women-owned businesses have particular constraints and can be served in a particular way."**

Guido realised they needed to adopt a more focused approach to adding more women to the pipeline: "We finance women across countries almost by coincidence. Our approach to originating transactions is gender neutral. What I've learned is that you need to have a specific strategy if you want to increase your percentage of women-owned businesses. What that entails is establishing a team that assesses the investment process to see whether there are any criteria that might work against women. Are we working with the right partners to get to women-owned businesses? This is a customer segment with specific needs, and you need a specific solution for that."



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## However, gender considerations are not often embedded in the investment lifecycle

The research team asked about tools and gender considerations that may be used during the investment process.

- **Pipeline.** There was no consideration of gender in pipeline development, which is most often done via personal networks and referrals (including banks and professional service providers). However, networking with women at conferences, events, and seminars, connecting more with incubators and accelerators, and supporting hackathons with a greater focus on female entrepreneurs were mentioned. Few fund managers tracked women in their pipeline. Two fund managers estimated that women-owned businesses represented about 5% of their pipeline and that the number was reflective of the sector/region.
- **Due Diligence Process (including ESG considerations).** The fund managers interviewed do not consider gender or use gender-specific tools or indicators in due diligence processes for either risk mitigation or opportunity identification. One fund manager did mention the importance of gender policies and considerations such as: equity in salaries (gender pay gap), physical accommodation for a diverse workforce, including gender (e.g. sufficient restrooms, services and amenities), and sexual harassment policies. Another mentioned collecting gender-disaggregated employment data to develop a baseline.
- **Financing.** None of the fund managers made conscious changes to the structure, value, terms or conditions of financing for female entrepreneurs. A couple of fund managers did speculate that women-owned businesses were more suited to microfinance or traditional SME finance, and referred to a lack of women who were running “ventures”.
- **Technical Assistance.** A small number of funds noted differences in terms of the need for technical assistance and/or differentiation in their technical service offerings. These included the need for mentoring (having strong female mentors to guide female entrepreneurs). This is corroborated by Kaufman Foundation research, which found that nearly 50% of female entrepreneurs state that one of the biggest challenges facing their business is the lack of available mentors, something also found in Barclay’s research. Ernst & Young research additionally identified a lack of successful role models and “bridging” networks, involving a range of different role models.
- **Monitoring, Evaluation, & Reporting.** All the funds were tracking information about women’s ownership, women’s employment, and in some cases female “beneficiaries” (e.g. women as suppliers or customers of an SME). They reported this information to their investors, as this is a requirement for many of them. However, none of them could recall having a conversation about gender data with their investors or discussing what could be learned from the data they are reporting.

“Anecdotally, we see that women may be running businesses but may never ask for capital and may run their businesses in a different way, while more men are actually seeking investment to aggressively raise this money.”

Fund manager

“We believe women need more time to think and want capital more gradually: they are prudent, may have a preference for debt (as equity is relatively new in the market), require smaller amounts of capital, flexibility.”

Fund manager

## Women in investment funds and on investment committees

A review of industry literature found evidence that women are more likely to finance women: there is evidence on a global level that businesses with female founders and/or a high percentage of female partners invest at elevated levels in female entrepreneurs.

A review of Crunchbase data revealed that of 63 active VC firms with at least one woman co-founder, an average of 44% of the investing partners were also women. Project Sage and other market scans have found that funds with gender lenses were more likely to have female partners than funds in general<sup>17</sup>.

Women investing in women also increases their rates of success. In “The Gender Gap in Startup Success Disappears When Women Fund Women” (Harvard Business Review, 2016), Sahil Raina found that in VC firms with female partners there was no performance gap between male and female entrepreneurs. There was no gap in success in terms of acquisition or reaching IPO, and no gap in exits. However, in all-male VC firm portfolios female entrepreneurs underperformed their male peers by up to 25%. The difference suggests that female VC partners excelled at either evaluating or advising female entrepreneurs, or both.

### The findings from the interviews at DGGF’s set of funds were that:

- The two funds with female founders/partners had higher level of investment in female entrepreneurs than the average across the set.
- Men lead the two funds that expressed interest in pursuing gender mandates.
- Nine out of ten funds had at least one female represented at a senior level (Partner, Principal, Chief Investment Officer, Investment Director/Manager).

These findings neither support nor negate the notion that having female leadership will drive elevated levels of investment in female entrepreneurs. Anecdotally, fund managers noted that women to women relationships are effective drivers of finding good female-led businesses.

**“It seems to me our female investment officers bring more female relationships to our pipeline and ecosystem.”**

**“I feel as a woman partner that women are more likely to approach me.”**

Five of the ten fund managers had at least one woman on their Investment Committee (IC); the other five had no female representation (representing a 50/50 split among the fund managers). Four of the five fund managers with women on their investment committees were classified as gender champions based on the attitudes of those in leadership roles. Though the presence of a female representative did not factor into the classification, there is some correlation.

Some of the fund managers with no female representation on their IC recognised that this is a missed opportunity for gender diversity but lamented the fact that it was challenging to find women of the calibre and experience that they sought for their committees. This was an area that some fund managers want to improve upon and feel that this could be an easy and quick win to address gender issues in their work. At the same time, some noted that they would need assistance in the search for the right female candidate.

## KEY FINDINGS

- Despite the supportive attitude of fund managers, there is little embedding of gender considerations in the execution of investment lifecycles.
- For many fund managers, the pipeline of SMEs that fit existing investment priorities is limited. Gender considerations must be integrated in a way that enhances pipeline, and not “on top of” existing priorities.
- More female partners, investment managers, and investment committee members could help bring more gender aware perspectives and pipeline to fund managers.

<sup>17</sup> Research conducted by Babson College as part of the Diana Project found that venture capital firms with a female partner are more than twice as likely as firms without a female partner to invest in a company with a woman on the management team (34% vs 13%); and they are three times as likely to invest in women CEOs (58% vs 15%). The Wharton Social Impact Initiative’s market scan of funds with gender lenses, Project Sage 2.0, found in 2018 that 72% of funds identified with a gender lens had female venture partners (well above the industry norm of 7% in 2017). See [Wendy DuBow and Allison-Scott Pruitt. “The Comprehensive Case for Investing More VC Money in Women-Led Startups” September 18, 2017;](#) and [Project Sage 2.0.](#)

## Institutional investors

The research team interviewed institutional investors that co-invest alongside DGGF—one international finance institution and five development finance institutions (IFIs and DFIs)<sup>18</sup>.

Institutional investors (like the fund managers they invest in) vary in terms of the types of gender lens strategies they apply. This study has identified the following six types of gender lens:

Lens	Details
Women's entrepreneurship	Equity through ownership of businesses
Women's leadership	Operational leadership roles in businesses, including founding roles (often combined with some ownership)
Governance	Women's representation on boards and committees, policies and governance practices
Women's employment	Equitable opportunities for quality and stable jobs
Women in supply chains	Inclusion in sourcing of materials and services
Women as customers	Businesses offering products or services targeting women or addressing a barrier women face disproportionately

Investors may use a combination of these lenses to deliver their intended gender impact.

### Diverse gender strategies are being developed & piloted

All institutional investors interviewed would like to see more female entrepreneurs access the capital their businesses require for growth. This is why they are all adopting gender strategies. Investors are diverse in terms of the pace and progress of developing and launching their gender strategies, although it is still early days for everyone. At the present stage of development there are no formalized gender-focused vetting or evaluation criteria for fund and vehicle investment decision-making. However institutional investors employ two approaches when pursuing improvements related to gender:

1. Being opportunistic and working with the most willing clients who are already proactive on gender and where the investors feel they can add value.
2. Being strategic and working with those who have not yet bought into gender-sensitive approaches and where breakthroughs could potentially have transformative impact (this is currently being piloted notably through the delivery of gender awareness capacity building programs).

“[Our approach is that] we see a market opportunity, especially around the female economy (consumers), and that the core mission of impact investing is to care about diversity and be more amenable than VCs to change. There is a global trend around gender lens investing with DFIs and High Net Worth Individuals. We hone in on this trend, working to get the business case really strong, and tied to capital raising.”

Institutional investor

<sup>18</sup> Findings given here focus as much as possible on investments in funds, although these institutional investors also apply gender lenses to direct investments in enterprises and intermediated loans through banks and MFIs.

### Buy-in is acknowledged as critical

Creating internal buy-in is key to the success of applying a gender lens as an institutional investor, as it needs to be applied across numerous teams and investment strategies. Common practices included having gender experts that support investment teams, gender sensitivity training, gender-awareness raising, capacity building and action plans. Interviewees acknowledge that they are trying to tackle numerous issues in addition to gender (i.e., complementary and sometimes competing impact themes). They need to be careful about “piling on” additional impact priorities.

### Embedding gender considerations in the investment process is essential

Some investors are embedding questions into ESG considerations, asking questions about risk-and-opportunity. This includes asking questions such as:

- Is there a risk to women in this deal in terms of their safety or security?
- Are women and men paid equally?
- If the team is not gender diverse, is it a risk? Is it a material risk? How can it be mitigated?
- Is there an opportunity to serve female customers or include female suppliers or increase the female work force?

“We ask the investment officer to answer the question: What is the gender intervention in the deal?”

Institutional investor

### Collaboration where possible is needed

Recent industry-wide efforts have concentrated on clarifying terminology and aligning gender strategies where possible. Collaborative efforts can also drive commitments and standardise approaches and reporting requirements to reduce burdens on investees. The main collaborative efforts that institutional investors identified as informing their current practice were the 2X Challenge<sup>19</sup> and the CDC-hosted Gender Finance Collaborative<sup>20</sup>.

The 2X Challenge—Financing for Women, is a call for the G7 and other development finance institutions to mobilise 3 billion USD in commitments supporting women in emerging markets by 2020. The collaboration has galvanised institutional investors to pursue more aggressive gender strategies and implementation tactics through this public commitment. Under the 2X Challenge, gender lens investments meet or commit to targets in women’s entrepreneurship, leadership, employment, consumption, or access to finance.

Many DFIs also share best practices and embrace collective approaches where possible. This includes the Gender Finance Collaborative<sup>21</sup>, an initiative of 14 DFIs and the European Investment Bank (EIB). The Collaborative is a platform for knowledge exchange, case study development, and support for the representation of women as leaders and staff.

Collaboration can also take the form of investing alongside other DFIs and IFIs. Both the 2X Challenge and the DFI Gender Finance Collaborative offer platforms for gender lens co-investment opportunities. Entrepreneurs should benefit when institutional investors bring different services and capabilities to investment in a fund. The institutional investors themselves will learn from one another, as has happened in bilateral gender lens co-investments in the past.

<sup>19</sup> More details about the 2X Challenge can be found at [www.2xchallenge.org/](http://www.2xchallenge.org/)

<sup>20</sup> CDC funding for the Gender Finance Collaborative is provided by UKAid from the UK Government.

<sup>21</sup> More details about the Gender Finance Collaborative can be found at [www.cdcgroup.com](http://www.cdcgroup.com)

## Data collection is happening but is not enough

Institutional investors all referred to the lack of accurate, reliable gender-disaggregated data. It is often due to investee companies' reporting to funds. For example, many companies are not currently equipped to report about all gender effects, such as number of women customers, so data can be incomplete. The lack of reliability of gender data is often due to inconsistencies between fund managers in which metrics are reported and how these are assessed. For example, fund managers differ in whether and how they monitor women's ownership stake over the life of the investment, and whether equity investments that reduce founders' ownership stakes are assessed.

According to the different gender lenses, a wide variety of gender indicators are monitored via data collection. The current level of analysis of this data does not yet lend itself to drawing meaningful conclusions such as making correlations between gender lenses and investment instruments. Fund managers report gender data, but they shared that institutional investors are not yet engaging them in evidence-backed discussions on the analysis of that data.

Institutional investors are using the data currently collected to measure change over time. However, linking the data to strategy development remains limited. Setting targets for the number of gender-sensitive investments, for instance, is fairly unpopular. Like fund managers, many institutional investors think hard targets limit innovation and are in favour of setting goals instead of specific target numbers or values. This applies both for themselves and for the funds they work with. A minority considered setting a specific target for how many female entrepreneurs were considered in the pipeline development and due diligence process rather than a target for how many received investment. Besides, DGGF, one other institutional investor is piloting the use of incentives and concessionary capital with this purpose.

"If you start putting targets around things, you end up failing because it is not a linear approach. Or you aren't stretching yourself. Too many targets can be a disincentive to innovation."

Institutional investor

### Good practice recommendations from institutional investors' perspectives:

	Build buy-in from senior management
	Ensure gender balanced staffing
	Target women early (in the pipeline)
	Provide technical assistance to fund managers
	Build the ecosystem, including working with incubators and accelerators on gender awareness
	Learn from others through co-investments, syndication agreements and benchmarking

## A look at Norfund's gender approach

Interviewees from institutional investors mentioned Norfund's work as a leading model for gender lens investing and embedding gender in an institutional investment organisation. Norfund is the DFI for Norway and follows the country's foreign and development policies and guidelines on women's rights and gender equality<sup>22</sup>.

### Norfund's strategy for gender equality and women's economic participation has three objectives:

- A. Promote equal opportunities for men and women;
- B. Encourage female participation in management and on corporate boards; and
- C. Support women's enterprises and self-employment.

### These objectives have manifested in a number of initiatives and activities that include:

- Internal socialisation: workshops within Norfund's investment departments to discuss barriers to women's participation, and how the team can work to promote gender equality
- Walking the walk: ensuring that Norfund has gender neutral recruitment, equal pay, and improves the gender balance in external events
- Collaboration: working with other DFIs and Norwegian NGOs to discuss gender strategies and to share lessons learned
- Leadership: hosting conferences aimed at strengthening participants' understanding of the barriers that hinder gender equality and women's economic participation
- Data collection and analysis: each year, collect data on the gender balance of portfolio companies and analyse that information across different dimensions and using benchmarks to create insights and learning opportunities and spot opportunities
- Technical assistance: sponsoring portfolio companies to participate in Female Future – a leadership and boardroom competence development programme, and providing funding for a training programme to facilitate the growth of MSMEs, with the requirement that at least 50% of participants are women or women-owned enterprises

## KEY FINDINGS

- Multiple gender lenses are more relevant than just +51% ownership, and many institutional investors combine several lenses.
- It is crucial to create buy-in, from senior management to investment officers, and embed gender considerations in the investment process.
- At such early stages, sharing trends and insights and collaborating is essential to develop more robust gender lens investment strategies.

<sup>22</sup> Although Norfund representatives were not interviewed, their website shares the story of their work to date.

# Conclusions and the way forward

The findings of this study are meant to contribute to evolving research on how to increase the positive impact of SME financing on women. The following conclusions and recommendations are targeted at institutional investors and fund managers.



# Realise the business case for investing in female entrepreneurs

The business case for investing in female entrepreneurs has already been demonstrated, it is time to apply strategies to realise it.

<p><b>Fund Managers</b></p>  <p><b>Institutional Investors</b></p> 	<p><b>I. Continue to gather evidence and discuss progress</b></p> <p>Data is being collected but not leveraged. Fund managers and institutional investors should share what they learn, including financial performance by gender, jobs supported and retained by gender, and women in the pipeline compared to portfolio. These insights can help support the business case for investing in women, identify opportunities, and help solve challenges. More extensive data could be collected during the pipeline build-up and due diligence stages and through ESG and monitoring and evaluation tools. Interoperability of data (and standardisation, where possible) can reduce the reporting burden and help aggregate data sets. Most importantly, institutional investors need to discuss this evidence with fund managers to share what is working and where women are lost in the investment process.</p>
<p><b>Fund Managers</b></p>  <p><b>Institutional Investors</b></p> 	<p><b>II. Showcase successful female entrepreneurs</b></p> <p>A greater spotlight on female entrepreneurs should showcase their successes and help shift mindsets. Women lack visibility and more attention needs to be devoted to how female entrepreneurs, fund managers and institutional investors can collaborate to create returns and value. It is possible to develop role models by showcasing women who raised funds and expanded their businesses successfully. Award ceremonies or publications featuring successful investees could be led by fund managers and supported or funded by institutional investors.</p>
<p><b>Fund Managers</b></p>  <p><b>Institutional Investors</b></p> 	<p><b>III. Expand gender lenses</b></p> <p>Investors and fund managers should use multiple gender lenses to identify more ways to reach, empower and impact women, and to measure impact. There are missed opportunities to serve women when a gender lens is limited in scope to enterprises that are +51% owned by women. Women's entrepreneurship definitions can combine ownership and leadership dimensions to demonstrate control of capital and business decisions. Inclusive business strategies, decent work and employment and access to products and services can also have a significant positive impact on women's empowerment. Institutional investors can use multiple gender lenses to help fund managers identify sectors where investment can benefit women as owners, leaders, suppliers and customers. This is an area where collaboration and learning from others are recommended.</p>

# Incorporate gender considerations in investment lifecycle

Despite good intentions, there needs to be more deliberate action to increase gender awareness.

<p><b>Fund Managers</b></p>  <p><b>Institutional Investors</b></p> 	<p><b>I. Include more women in investment teams and investment committees</b></p> <p>To get more capital to women, all institutional investors and fund managers need to combat unconscious bias and diversify networks and pipeline generation by having more women involved in every aspect of the investment process. Fund managers should be more determined to seek out female talent to join their organisations, develop the female talent already present in their organisations and ensure female representation on their investment committees.</p> <p>Institutional investors should encourage, support (and even incentivise) fund managers to source top female talent to join their organisations and their investment committees. Institutional investors should also consider using their own networks to help find candidates or support searches.</p> <p>Institutional investors should improve the gender balance within their own organisations. Not only would this help institutional investors “walk the walk,” but it also would help address biases and introduce gender sensitivity in their own investment decisions.</p>
<p><b>Fund Managers</b></p>  <p><b>Institutional Investors</b></p> 	<p><b>II. Build gender considerations into the investment process</b></p> <p>Gender needs to be considered in the context of the investment strategy. This starts with market research and pipeline development, and continues through due diligence, investment, technical assistance, and monitoring and evaluation. Depending on the specific circumstances of the fund managers, institutional investors should keep experimenting with goals and incentives to find a way for fund managers to better embed gender considerations in their daily work.</p> <p>Institutional investors with business development services or technical assistance facilities should offer gender awareness training to fund managers. Training courses can cover the best ways to engage female entrepreneurs and business leaders during the identification and selection of entrepreneurs and in due diligence and negotiation procedures, where (unconscious) bias has been identified in the industry.</p> <p>Institutional investors can also help fund managers to integrate gender scorecards and other tools in their ESG policies and implementation guidelines, exclusion and inclusion lists, investment criteria, investment decision matrices and review processes, due diligence procedures, communications with investees and impact monitoring.</p>

# Provide the right capital and gender inclusive services to help women expand their businesses

More patient capital and gender-sensitive business development services will help entrepreneurs, regardless of their gender, and women will benefit.

<p><b>Fund Managers</b></p>  <p><b>Institutional Investors</b></p> 	<p><b>I. Consider more patient capital</b></p> <p>Female entrepreneurs in this study confirm what is acknowledged as a sector-wide need for patient capital. Fund managers and institutional investors should be open to new terms and structures that may better align SMEs with the capital they need to deliver maximum financial and impact returns.</p>
<p><b>Fund Managers</b></p>  <p><b>Institutional Investors</b></p> 	<p><b>II. Ensure a gender-aware ecosystem</b></p> <p>All entrepreneurs and their teams should be able to access a variety of non-financial services, such as incubators, accelerators, business development service providers, networks and mentors that are gender inclusive. Institutional investors can play a role by financing gender awareness training courses, and fund managers should recommend and support service providers that are gender responsive. Female entrepreneurs do not need services tailored to them, but they and their teams should be able to work with providers who demonstrate gender awareness and sensitivity.</p>

# Annex 1: List of abbreviations

BDS	Business Development Services
BIO	Belgian Investment Company for Developing Countries
CDC	CDC Group, the UK's development finance institution
CEO	Chief Executive Officer
DFAT	Department of Foreign Affairs and Trade, Australia
DFI	Development Finance Institution
DGGF	Dutch Good Growth Fund
DGGF Portfolio	Aggregation of the SMEs financed by the funds DGGF has invested in
ESG	Environmental, Social and Governance
FMO	Entrepreneurial Development Bank, the Dutch development bank
IC	Investment Committee
IFC	International Finance Corporation
IFI	International Finance Institution
IPO	Initial Public Offering
MENA	Middle East and North Africa
MSMEs	Micro, Small, and Medium Enterprises
NGO	Non-governmental Organisations
PROPARCO	Promotion et Participation pour la Coopération Économique, the French financial development institution
SMEs	Small and Medium Enterprises
Underlying investee	An individual SME financed by the funds DGGF has invested in
USD	United States Dollar
VC	Venture Capital
XSML	eXtra Small Medium Large (fund manager)

# Annex 2: Methodology notes

## Qualitative interviews investigated flow of capital

One of the key roles of institutional investors is to signal the importance of gender through their allocation of capital. This can start with the articulation of a gender strategy (or by identifying and refining a gender strategy after some years of investment). They can then execute their gender strategy through investment selection and other activities. For investments through intermediary funds, this could include the following dimensions:

- Vetting and evaluation criteria for funds and vehicles
- Types and terms of capital (including incentives that might come with that capital)
- Technical assistance to fund managers or entrepreneurs
- Gender goals or specific targets tracking progress
- Monitoring and evaluation based on gender indicators
- Putting the spotlight on successes to drive more investment

This study's research and interviews explored each of these dimensions to create a more complete picture of how institutional investors interact with their investees.

**Fund managers** are one of the lynchpins in the deployment of capital to women-owned businesses. They can increase funding to women-owned businesses by:

- Leveraging referral networks and pipeline partners that support women
- Identifying women-owned businesses in all pipeline building activities
- Applying gender lenses in ESG and due diligence processes, including but not limited to consideration of women in an investees' leadership team
- Ensuring women participate in term sheet negotiations
- Offering appropriate technical assistance to expand women's businesses
- Improving their own internal processes and gender balance and understanding any potential biases they may have

Interviews of fund managers explored the understanding and practice of these activities.

## Definition of women-owned businesses

This research defined "women-owned businesses" as those businesses where women have an ownership stake equal to or greater than 51%. This is the definition that DGGF uses (and this is the current World Bank definition). However, the research team acknowledges that many stakeholders, including the fund managers and institutional investors in this research, may define "women-owned businesses" differently. The research team also acknowledges that stakeholders may have gender lenses that focus on other kinds of impact. The research therefore allowed for consideration of other definitions of women-owned and women-led businesses and considered gender lenses as stakeholders applied them. The research analysed both DGGF investments and the portfolios of the funds it has invested in along multiple types of impact, to understand where women appear in these funds, regardless of ownership stake. The research team asked how fund managers themselves think about and apply gender lenses. This included exploration of women's majority and minority stakes in the business, women founders, women in leadership roles, and the positive impact created for women as employees, suppliers and/or consumers.

## Research limitations

There were certain research limitations that need to be taken into account when reviewing the findings. The table below shows the limitations regarding the fund managers; similar limitations hold true for the set of entrepreneurs and institutional investors interviewed. The research team has qualified and contextualised responses and leveraged previous studies where appropriate.

Limitation	Description
<b>Selection bias</b>	DGGF selected the fund managers to be interviewed. Fund managers selected the entrepreneurs to be interviewed.
<b>Diversity of the sample</b>	The fund managers were a diverse group providing financing at different stages, using different instruments and with different sector priorities or focuses.
<b>Small data sets</b>	Market data on these topics is not exhaustive, and the DGGF portfolio data cannot represent the market as a whole. It is not possible to draw conclusions regarding demand for specific instruments in particular geographies or sectors from these limited data sets.
<b>Qualitative information sample size</b>	As only ten fund managers were interviewed (and some fund managers had invested in fewer than ten companies), the sample size makes it difficult to reach any statically significant conclusions.
<b>Fund scope</b>	Fund managers frequently failed to limit their response only to the fund that DGGF was invested in, but instead incorporated prior and future funds/vehicles (including funds they would like to develop) in their responses. Follow-up questions and data requests teased out more detail on the specific DGGF-invested funds in so far as possible.
<b>Geographical scope</b>	Although this research focuses on emerging markets, At the time of the study, DGGF did not have any investments in Latin American funds. As such, no Latin American funds were included in the portfolio analysis.

The broader business support ecosystem does not fall under the scope of this research. However, DGGF and the research team are keenly aware that catalysing the flow of finance to more women-owned businesses will require the active participation of a universe of actors, which extends beyond institutional investors such as DGGF and the work of fund managers. This universe includes the support of local and global ecosystem players, such as business development service providers, incubators/accelerators and angel investors. The research team recognises that the relationships between these different actors can help drive financing. Despite the importance of the ecosystem, the research did not focus on identifying, mapping, interviewing or diagnosing these ecosystems. There are other reports and research endeavours on ecosystems that can be leveraged to help assess the role that local ecosystems can play in supporting women-owned businesses<sup>23</sup>.

23 See for example [“The Underserved Market in Venture Capital: Women,” AppsAfrica, May 2018](#), on mentorship ecosystems; [Barclays Wealth & Investment Management, “Unlocking the Female Economy: The Path to Entrepreneurial Success,” January 2013](#), on building customer base and networking; [Ernst & Young, “Scaling up: Why Women-Owned Businesses Can Recharge the Global Economy,” 2009](#), on the need for role models; and [Global Entrepreneurship Monitor, “Women’s Entrepreneurship 2016/2017 Report,” 2017](#), on business development services, among others.

# Annex 3: Literature and other resources

About the [2X Challenge](#) Criteria

[Are Early Stage Investors Biased Against Women?](#) Michael Ewens, Richard R. Townsend, SSRN Electronic Journal (2017)

[DFI Gender Finance Collaborative](#) Overview

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