



VALUE FOR WOMEN INSIGHTS

# WOMEN DECISION MAKERS

How Can More Capital Reach Women Decision Makers in Emerging Markets?

**VOLUME 1, ISSUE 4**

**Value for Women** is a global pioneer with a mission to promote women's participation and leadership in business, finance, and investment in emerging markets. It does this through building individual leadership, equipping businesses, and driving innovation through data & research. Value for Women is a woman-led company and its diverse team is spread across 5 continents and has expertise in countless sectors. Learn more at [www.v4w.org](http://www.v4w.org).

## About this Value for Women Insights Series

As we celebrate Value for Women's 10th Anniversary this year, we have undertaken a broad research initiative to provide insights on gender, business, and investing in emerging markets over the last decade. This initiative takes stock of gender and business to surface tensions, challenges, and opportunities and offers analysis, tools, and solutions for advancing action toward gender equality. Details on the series, including the methodology, can be found in [Insights Issue 1: Looking Back](#).



This Insights series was supported by Visa Foundation, as part of its work to support inclusive economies where individuals, businesses, and communities can thrive.

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1

In this brief, we look at the fact that too little funding is making it into the hands of women from emerging markets who are in private equity and venture capital, and how critical this is for both financial returns and social impact. Then we dive into why it is occurring— particularly the barriers to capital reaching local, diverse, women fund managers. To move the needle, including women or trying to change women won't do the trick, both structural change and improved investment practices are needed. We share our recommendations and tools for investors to do this.

This paper draws from interviews with over 100 experts, investors, enterprises, and enterprise intermediaries as well dozens of publications, countless case studies, and our own work over the last decade at Value for Women. This research is primarily from emerging markets, however given the scarcity of research in these markets we also occasionally draw from research in high-income countries. For details on the research methodology, please see [Appendix: Methodology and Interviewees](#).

# 1. INTRODUCTION: WHERE ARE THE WOMEN IN INVESTMENT DECISION MAKING AND WHY IS THEIR PRESENCE SO NEEDED?

2

*"We've seen more gender lens investing funds and also the emergence of women fund managers, but there are still not enough [women] representation across investment committees making decisions"*

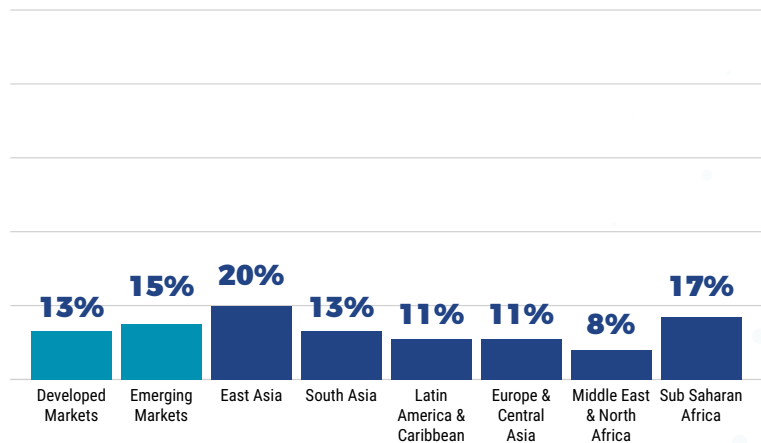
**- NATHALIE GOGUE-EBO, PARTNER, OPEN CAPITAL**

## **Too Little Capital Is Making It Into the Hands of Women Decision Makers in Private Equity and Venture Capital in Emerging Markets**

While our interviews indicated some evidence of women fund managers and women in leadership positions appearing in private equity (PE) and venture capital (VC) firms in emerging markets, most agree that we are far from achieving a critical mass among such roles in these markets.

Research bears this out: women make up only 11% of partners, C-Suite executives, and managing directors in emerging market PE and VC, ranging from 7% in the Middle East, North Africa, and South Asia region to 15% in China.<sup>1</sup> Gender-balanced senior management teams are few and far between; only 15% of emerging market general partners (GPs) have gender-balanced senior investment teams while nearly 70% have no women at all (see Figure 1 for a breakdown of GP gender balance across regions).<sup>2</sup> While representation of women at more junior levels is becoming more equitable, the number of women decreases in more senior roles (see Figure 2).<sup>3</sup>

**FIGURE 1. Percent of Gender-Balanced GPs, by Geography**

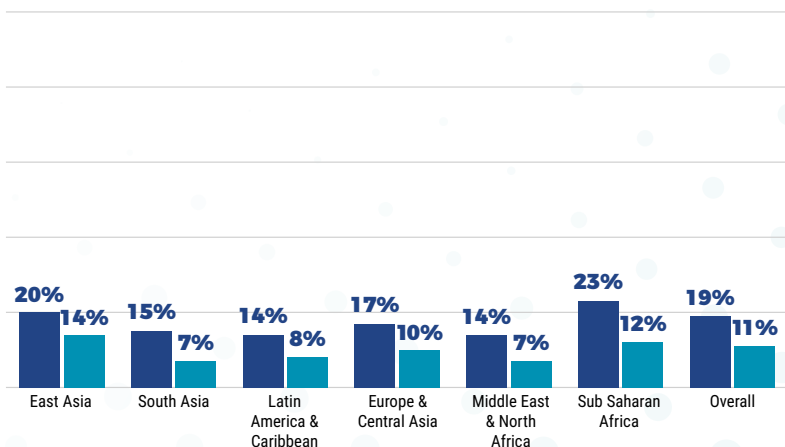


Source: *Moving toward gender balance in private equity and venture capital, IFC 2019*

**FIGURE 2. Percent of GP Investment Employees Who Are Women**

Source: *Moving toward gender balance in private equity and venture capital, IFC 2019*

- Mid Level
- Senior Level



### 1.1. Top Three Reasons Why Missing Women Investors<sup>4</sup> Is a Problem

Improving representation of women at senior leadership levels in emerging market investing is important from both a financial and a social impact perspective.

#### 1.1.1 Gender-Balanced Investment Teams Outperform Men-Only Teams

Research shows that funds run by gender-balanced teams outperform teams dominated by men or women. A study of emerging markets funds found that the median net Internal Rate of Return (IRR) for funds managed by gender-balanced investment teams was approximately 20% higher than when funds were dominated by men or women, when normalized for the median net IRR.<sup>5</sup> The same study found that median excess net IRR was 1.7% for funds with gender-balanced investment teams, versus -0.1% for funds with investment teams dominated by men or women.<sup>6</sup> These are but a few of many proof points that demonstrate that today's predominantly all-male teams would do better if gender balanced.



Research highlights that this is the case both because gender-balanced teams offer a greater mix of knowledge, experiences, and skills and because they drive more generous and egalitarian relationships producing more successful work processes and increased workplace satisfaction, among other reasons.<sup>7</sup> More diverse teams encourage team members to become more self-aware and question their assumptions; this helps teams avoid making errors in decisions.<sup>8</sup> For investment teams in particular, women and diverse fund managers offer a unique opportunity for value creation and diversification of strategy, deal sourcing, and impact.<sup>9</sup>

### 1.1.2 Women Investors Invest More Both in Women Entrepreneurs and with a Gender Lens

Today, only 7% of PE and VC globally is invested in women-led businesses, and those that receive investment receive only 65% of the median funding received by men-led businesses.<sup>10</sup> Of the estimated US\$6.3 trillion in assets under management within PE, only US\$6 billion is advancing gender equality.<sup>11</sup> For this to change, more women need to be directing capital.

Gender-balanced leadership helps level the playing field from raise to exit. Women fund managers are twice as likely as men to invest in startups with at least one woman founder and three times as likely to invest in women CEOs.<sup>12</sup> Investors we spoke to cited that this is related to the greater likeliness of women investors attracting more women founders through their networks and having a better understanding of their specific needs. To give an example of how this understanding of specific needs shows up, Linea Capital, a South African women-founded investment fund provides non-dilutive, revenue-based financing tailored for local women-led and -centered businesses.<sup>13</sup>

*“There is an increase in women investment professionals, even if still at entry level. Retaining them until [they are in] decision-making positions will help mirror the market and help attract women founders.”*

**- RAGINI BAJAJ CHAUDHARY, EXECUTIVE DIRECTOR, CASPIAN DEBT**

In fact, the development and growth of the gender lens investing market itself can be traced to women investors and thought leaders;<sup>14</sup> of the 206 gender lens funds in the last available Project Sage dataset, on average 69% of their senior leadership identifies as women, far above the global average for all funds.<sup>15</sup>



Additionally, women partners are better able to evaluate and advise women-led startups than all-male VC firms. A study of venture capital in the United States indicated similar findings: when startups received funding from a VC fund with at least one woman partner, the success rate between men- and women-run startups was the same; however when financed by all-male VCs, men-run startups had a much higher success rate than did the women-run startups.<sup>16</sup>

### **1.1.3 Women Investors Open up New Market Opportunities**

An old investor truism, coined by billionaire investor Warren Buffet, is that investors should invest in what they know and nothing more.<sup>17</sup> The problem is that, in a market dominated by men, most investors don't have direct experience with the challenges women uniquely face. Thus, men-dominated teams may discount the upside of companies created to serve women clients and customers.<sup>18</sup> Case in point: PE, VC, banks, and family office investors in the United States have been found to be less likely to connect with sectors served by women founders.<sup>19</sup> This is further exacerbated in an emerging market context, where most investors are not only men but also foreign, making them even less likely to recognize the unique opportunities identified by a woman fund manager from the emerging market.

For this reason, women investors are better placed to capitalize on the opportunities presented by industries served by women founders. These could be enterprises focused on childcare, eldercare, FemTech<sup>20</sup>, or health, among others that typically are women founded and have a majority share of women customers. For example, in the United States, only 1% of healthcare research and innovation is invested in women-specific conditions beyond oncology (e.g. maternal health, menstrual health, pelvic health, menopause, contraception) and in conditions that affect women disproportionately or differently (e.g. osteoporosis, cardiovascular disease).<sup>21</sup> Yet, globally the FemTech market has been growing steadily and in 2022 the total amount of funding being directed toward FemTech was US\$16 billion, with over 100 companies founded in this space each year since 2016.<sup>22</sup>



## CASE STUDY

### Amplifica Capital: A Woman-Led Fund for Women-Focused Businesses

*“Capital is not reaching women, in part, as a consequence of the absence of women investors.”*

– ANNA RAPTIS, FOUNDER & MANAGING PARTNER, AMPLIFICA CAPITAL

Anna Raptis understands the important role that women fund managers play in investing in gender equality. So in 2022, after witnessing an absence of women fund managers in Mexico, she founded Amplifica Capital, a VC firm that invests in seed-stage companies across Latin America. Amplifica focuses on investments that improve women’s lives, are women led, and/or implement gender equality practices.

Although Amplifica has been successful— closing its first fund with US\$11M in capital commitments from nearly 100 investors (more than 60% of them women)<sup>23</sup> –it hasn’t been easy. Amplifica faced skepticism from investors, including whether Mexico was ready for a fund focused on women founders. The response is in the results: to date, Amplifica has invested in 10 tech companies in industries as diverse as agriculture and financial services.

Learn more at [www.amplifica.capital](http://www.amplifica.capital)



## 2. WHAT DO WE KNOW ABOUT WHY THERE ARE SO FEW WOMEN DECISION MAKERS IN EMERGING MARKET INVESTING?

7

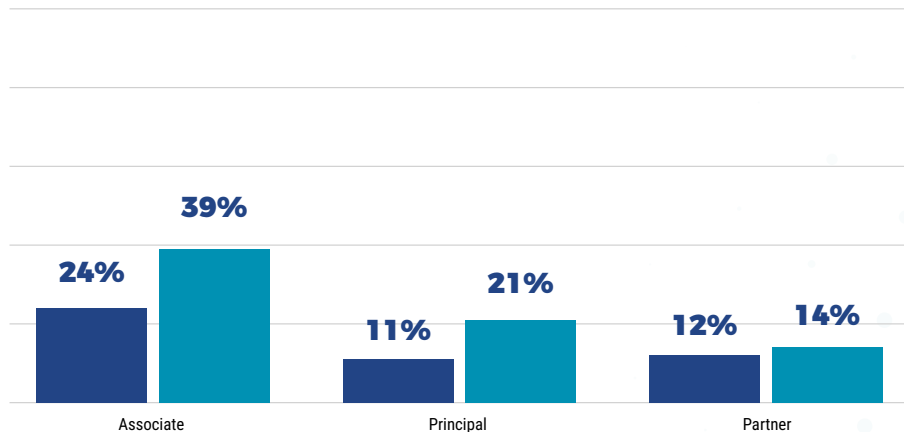
Women face various gender-related barriers that hinder them from making up more than the 11% of partners, C-Suite executives, and managing directors in emerging market PE and VC that they do today. These barriers, which are both cultural and structural, hinder women from advancing within firms as well as women raising their own funds. And the barriers become particularly acute for women who are operating in their local emerging market. We dive into these barriers below.

### **2.1. Research and Women Investors Agree: There is a Pipeline of Women Professionals, Instead the Challenges Lie in Cultural and Structural Barriers to These Women Advancing**

A commonly held belief about why there aren't more senior-level women professionals in investing is that there is an insufficient talent pool at more junior levels from which to draw. However, there is evidence that PE and VC firms have made substantial progress in recruiting women into entry-level positions. In India, for example, the number of women associates at surveyed PE and VC firms grew from 25% in 2018 to 40% in 2021.<sup>24</sup> However, women's representation becomes smaller as the positions become more senior. The same study showed that women held only 21% of mid-level positions and only 14% of partner roles in 2021. (Of note is that while this representation of women at the partner level is still quite low, it represents an increase from 12% in 2018, which is important given the extended time these processes take.)

### FIGURE 3. Women's Representation in Private Equity in India

- 2021
- 2018



Source: *Closing the Gender Gap in Investing – How Indian Private Equity and Venture Capital firms can bridge the diversity divide. BCG and WInPE, 2022*

8

Men and women understand differently the causes for this outcome. An IFC study of over 500 investment professionals revealed that men attribute this outcome to external factors– such as difficulty finding qualified candidates and women's limited interest in investing. Women, however, are more likely to attribute it to internal cultures that are not set up for women to succeed– such as a lack of action and target setting to drive increased diversity and biases in recruitment and hiring.<sup>25</sup>



Both women investment leaders we spoke to and the literature identify cultural and structural barriers women face, including:

## Traditional corporate cultures built on non-inclusive norms.

Conventional hiring practices in finance may carry various hidden, unintentional biases that favor men candidates. Investors we spoke to mentioned that these biases run deep and are entrenched in how the industry is viewed to be ‘cutthroat’, hindering women candidates or women in entry-level positions from progressing. Hiring criteria such as subjective considerations like “culture fit” and previous work experience also disadvantage women candidates. Partners, C-Suite executives, and managing directors are chosen based on their track record as senior investment managers– this runs the risk of perpetuating the status quo of men holding leadership positions in these firms.

*“In Kenya, comparatively, there are fewer female fund managers than men and even more so first-time female fund managers”*

**- DR. FRANK ASWANI, CEO, AFRICA VENTURE PHILANTHROPY ALLIANCE**

Further, lack of accommodation for care responsibilities, limited employee flexibility, and restrictive leave policies are common reasons that workplace environments and work cultures are unfavorable for women. This often leads to burnout and them dropping out of the workforce. A survey of emerging market investment funds revealed that junior PE and VC women tend to not use their maternity leave believing it could inhibit their career progression.<sup>26</sup>

*“The work culture [in the private equity industry and the venture capital ecosystem in Mexico] is not conducive to women in the workplace as it is male-dominated. Companies don’t just need to find female talent but also they need to find a way to retain them through an appropriate work environment”*

**- KARINA OJEDA, GENERAL COUNSEL, CAPITAL INDIGO, FOUNDING MEMBER AND PRESIDENT, MUJERES INVIRTIENDO**

## Few role models and mentors for junior women.

In our conversations, dozens of investors highlighted the need to fill a mentorship gap they see across the industry. Senior women role models help more junior women see themselves in leadership positions, inspire them to pursue more senior roles, and demonstrate traits rewarded with growth opportunities. Conversely, mostly male leadership could potentially reinforce junior women professionals' fears of a glass ceiling within the firm.<sup>27</sup> Women mentors also offer important lessons on how to best progress in a specific, gendered work environment.

*"When I started in private equity, I tended to be one of the few women on the team...I never had any female role models at higher levels. It wasn't clear what the path for me was to leadership since women were not in it."*

**- LAURA XIMENEZ, CHIEF OF STAFF - STRATEGY & OPERATIONS, MENDEL**



## 2.2 First-Time Women Fund Managers- Particularly Those from Emerging Markets -Face an Unlevel Playing Field

BOX A

### Emerging Markets Need More Women Fund Managers Who Are From These Markets

*“Having a local investor who really knows the ecosystem and can have this direct connection with the entrepreneurs is necessary to mitigate the mismatch in terms of larger institutions...and small companies in Latin America. So having local fund managers who know the entrepreneurs can be a good way of creating catalytic change.”*

- **MARÍA PÍA MORANTE PÉREZ-REYES**, INVESTMENT DIRECTOR, ALIVE VENTURES

Not only does emerging market VC/PE lack gender diversity, but it also lacks socioeconomic, racial, and ethnic diversity. Women fund managers from emerging markets face various disadvantages compared to men *and* compared to women fund managers from abroad.

Conversations with fund managers from emerging markets highlighted that traditional PE and VC investment criteria and vehicles may not fit local needs. Conventional fund and ticket size minimums, vetting and selection processes for fund managers that focus strictly on the success of previous funds, and networking events and industry conferences conducted only in English are just a few examples of the hidden barriers that limit the participation of so many talented local actors.

*“There are not enough women fund managers/leaders in investment. Why? Because of systemic barriers at play. A lot of female fund managers are first-time fund managers. When you are a first-time fund manager, as a black woman, investing in Africa, there are so many barriers: the need for a track record, existing funding, working capital. We need new guidelines for due diligence and evaluation for first-time fund managers. The copy-paste approach does not work.”*

- **ADESUWA OKUNBO RHODES**, FOUNDER AND CEO, ARUWA CAPITAL

Throughout this section, as we share the challenges women fund managers face, we include a specific look at the barriers women fund managers from emerging markets face. What is critical to take away is that the bar for raising a fund is uniquely high for African women in Africa, afro-descendant and indigenous women in LAC, and Asian women in Asia.

Lack of equal access to influential networks, which limits access to jobs, funding, and growth opportunities.

Narrow requirements regarding experience, which limit women fund managers' access to capital.

**Unable to move up in firm, many women investment professionals decide to raise their own funds.<sup>28</sup> This presents them with new barriers** that create an uneven playing field that has stymied meaningful growth of representation of women fund managers for decades, particularly of those from emerging markets. These barriers faced by women fund managers include:

First-time fund managers are often advised to tap into their informal networks of friends, family, and former colleagues to raise money and identify new contacts. However, these networks tend to be male dominated, leading to fewer introductions to funders for women than for men.<sup>29</sup> Women fund managers from the emerging markets are further separated by geography, as most emerging market PE/VC funds originate in high-income markets. Even when new entrants are invited in, the lack of racial and gender diversity can make women and diverse founders from emerging markets feel out of place.<sup>30</sup> It can also make finding a woman fund manager role model particularly challenging.<sup>31</sup> This lack of connections and access limits women's exposure to job and mentorship opportunities, informal intelligence about investment trends, and investment and deal leads.

Emerging market LPs look primarily for 1) strength of past performance/returns, 2) operational expertise in target sectors, and 3) length of working relationship among senior members of the GP team.<sup>32</sup> Yet because the experiences of women fund managers differ from common fund manager selection criteria, these criteria may be difficult to meet for women fund managers in emerging markets. 'Experience in senior fund investment teams' is a frequently used proxy for the first criteria, but even this is challenging since women are less likely to rise through the ranks of leadership at investment firms, making them less likely to gain the fund leadership experience that LPs seek when backing GPs.<sup>33,34</sup> First-time fund managers shared that this results in a catch 22, where investors argue they can't find women-run funds that meet their criteria but the criteria they have set are exclusionary or very high for women to meet in the first place. This is especially true for women fund managers from emerging markets who may have relevant work experience that is unrecognized by LPs given the LPs' limited prior experience with the local market.

## Smaller fund sizes, which limit women fund managers' access to capital.

Many LPs have policies and practices that effectively limit their investments in first-time and/or women fund managers. LP investment amount minimums, for example, may limit their ability to invest in smaller funds and first-time funds where women tend to be overrepresented. Indeed, the fund sizes being raised by the women fund managers we spoke to were far smaller than the average emerging market fund size.<sup>35</sup> LPs view the cost of underwriting a smaller fund with a first-time manager the same as assessing a much larger fund with less perceived risk, making the former uncompetitive.<sup>36</sup> In addition, some LPs limit their exposure to 20%, which is particularly taxing to women in contexts where they uniquely struggle to find additional investors willing to risk on first-time fund managers and provide the other 80% of the funds. These factors are not limited to LPs; among the women fund managers we spoke to, several had challenges accessing development finance institution (DFI) capital for the same reason. Simply put, conventional PE and VC funding expectations do not match the reality for most women fund managers in emerging markets.

## Traditional fund economics expectations, which do not reflect emerging market realities.

Traditional fund economics are based on assumptions about fund size, as discussed previously, in combination with standard fee structures (2 + 20<sup>37</sup>), return expectations, and exit modes.<sup>38</sup> Many of these assumptions were developed in the U.S. decades ago when VC firms first came about and they have largely persisted even as LP and VC money has entered emerging markets. Yet emerging market economies have different realities, and so fund managers from these markets with whom we spoke see the need for increased flexibility in these expectations, especially by DFIs. This is particularly true in the impact space, where funds may target underserved markets— such as women-run SMEs —which can require more realistic return expectations, risk profiles, and fee requirements.<sup>39</sup>

## Less access to startup capital.

Funds need working capital to get up and running. Yet the first-time women fund managers with whom we spoke noted struggling for years to raise investment in their first funds while earning little to no income. This is reflected in the research: while some fund managers rely on family wealth, inheritance, or angel investor networks, first-time women fund managers in Africa report being less likely than men to have the personal wealth required to raise a first round from family and friends.<sup>40</sup> Additionally, as compared to their foreign counterparts, local fund managers may have disproportionately less wealth to fund start-up expenses.

## Conscious and unconscious bias.

Even when women fund managers manage to scale these barriers of networks, experience, fund size, and access to capital, many still find themselves stymied. First-time women fund managers with whom we spoke noted that stereotypes and unconscious bias about “masculine” and “feminine” behaviors can be barriers. Research studies across high-income countries and emerging markets echo this finding. For example, one study found evidence of discrimination against women and men who during the pitch process exhibited feminine qualities— such as warmth, sensitivity, expressiveness, and emotivity.<sup>41</sup> Yet, another study shows that women in leadership positions are penalized when they display “masculine” traits.<sup>42</sup>

And while women are commonly chastised for being insufficiently growth oriented, investing in women is routinely judged as “too risky”; one study of VCs and entrepreneurs showed that investors tended to ask men questions about the potential for gains and women about the potential for losses.<sup>43</sup> In another study, women fund managers in Sub-Saharan Africa raising gender lens funds felt their impact focus was misinterpreted as a lack of interest in financial returns.<sup>44</sup>

Existing funding processes, rather than fostering a meritocracy, often end up fostering a “mirrortocracy” with LPs/GPs looking like the funds and enterprises they support.<sup>45</sup> Women fund managers, particularly those from emerging markets, may not fit the image of what LPs have determined a fund manager should look like.

The result is a system built upon geographic, class, wealth, race, ethnic, and gender inequality. Women, particularly local women fund managers, are often left out of solving the problems they best understand. This deepens the exclusion of those closest to the specific, complex on-the-ground context, realities, and solutions from the resources they need to make meaningful changes.<sup>46</sup>

*“In South Africa, there is a lack of diversity in fund managers. In general, we don’t have many Black fund managers. Whereas there are female fund managers, there are very few Black female fund managers and even fewer first-time female fund managers .”*

**– DR. FRANK ASWANIL, CEO, AFRICA VENTURE PHILANTHROPY ALLIANCE**



## An Urgent Need for DFIs to Rethink the Power Dynamics Behind Their PE and VC Market Funding Decisions

For PE/VC, impact investing, and gender lens investing in emerging markets (except in a few markets such as India and China), most of the funding is from foreign sources. Local capital for these is still quite limited.

As such, foreign sources, and particularly DFIs, have an outsized influence on how these local markets evolve. Our interviews reflected that the DFIs— and 2X Global in particular —have helped drive capital to, and attract more women into, fund management. The IFC stands out for its public research on the barriers women investment decision makers in emerging markets face in attracting capital as well as for its leadership in providing crucial data on the financial performance of women-led and gender-balanced funds.

That said, our interviews also reflected that DFIs have, by and large, accepted conventional PE/VC practices; they have not identified ways to better accommodate the realities local GPs face. In a workshop convening DFIs and African fund managers, the latter called on DFIs to allocate more resources to experimental models developed according to local realities.<sup>47</sup>

*“The sad reality is that with local capital, whether in India or other parts of South Asia, Southeast Asia, or Sub-Saharan Africa, the story is the same— local investors do not back gender lens investing. So all the money is from the West and it comes with ties, it comes with its own influence. It comes with a non-contextualized approach. ...But on the other side, we are not able to develop our own internal markets that can actually deploy gender lens investing capital.”*

— **SAGAR TANDON**, FOUNDER, FIRST FOLLOWERS AND PARTNER, BEYOND IMPACT

### 3. TAKEAWAYS: INSTEAD OF TRYING TO “FIX WOMEN”, WE NEED TO FOCUS ON FIXING FINANCE

**The limited flow of funds to the hands of local women fund managers is rooted in a complicated power imbalance.** First of all, LPs have control over the distribution of capital and the terms upon which capital is conferred. Second, most funding for PE/VC funds comes from foreign funders who may struggle to connect with the opportunities and issues prioritized by local fund managers. Finally, with most senior investment decision makers being men, women managers are often seen as a risky investment. When all decision-making power is held on the capital supply side of the equation, it results in inequitable outcomes that particularly disadvantage local women fund managers. This is problematic both in and of itself and because it limits the potential of PE/VC to solve the world’s most challenging problems. Additionally, the lack of diversity is depriving fund managers of opportunities to challenge and overcome their own biases.

**There is also inequality between foreign women fund managers and local women fund managers.** Women from high-income countries may enter the investing space in emerging markets with more privilege, connections, and available capital than women from emerging markets. This makes it challenging when women-focused initiatives treat women as a monolithic group ignoring the diversity of women themselves. Building solutions that fit the needs of local women fund managers—rather than just for women as a singular homogenous group—is critically important lest we risk replacing one form of marginalization with another.



**This is true within GPs as well.** Too few women have the opportunity to move up the ladder to obtain the experience that most LPs look for when hiring a fund manager. While leadership and mentorship programs are valuable, they are—as in the funding space—insufficient. GPs must look at their own internal practices to see where women aspiring to be senior leaders in their firms drop out and why.

**Looking at the solutions that exist today to the problem of underinvestment in women fund managers, too often the solutions are to change the woman.** Women go through incubator programs and pitch practice sessions and enter peer circles. If they are not successful, it is assumed that it's the woman who has failed rather than the system that has failed her. We heard again and again from women fund managers from emerging markets— and their supporters —that women are over mentored and underfunded.

**Instead of “fixing women”, we need to focus on fixing finance.** It's not enough to just include more women in the system if that system is built on assumptions and expectations that prevent them from being successful. Women fund managers from emerging markets expressed deep frustration with imported expectations of ticket sizes, minimum fund size, and outsized return. Current funding approaches aren't working for the majority of local financial actors in emerging markets. The onus needs to shift toward changing the supply side of finance, so that it offers solutions that fit what emerging market contexts need.

**While a complete reconstruction of these dynamics is unlikely, there are incremental steps that can be taken to improve the capital that is being deployed for good.** We must acknowledge that we are operating within flawed systems. Wholesale shifts in market dynamics toward more equitable solutions require consensus building, engagement between civil society, government, and the private sector, voluntary standards, and, often, regulatory and legislative changes. This work is critical as it leads to systems change. At the same time, if we commit exclusively to systems change, we miss opportunities to make meaningful incremental changes. LPs need a place to start, and we need to meet them where they are with incremental changes that over time shift business and investment assumptions and, eventually, power dynamics.

**To fix finance, we must commit to equitable change at the individual, institutional, and systemic levels.** Too often, investing in women is seen as a silver bullet. Yet individual women are not always able or willing to make the most equitable decisions. Furthermore, resources provided exclusively to benefit individual women may run the risk of distracting from the deeper investments required to create more systemic change (this is what sometimes leads to investing in women being criticized as “pinkwashing”, or seeking to profit from solutions that create more reputational benefit than impact). While solutions developed to uplift individual women are needed, they can’t be the only answer. We must commit to equitable change at all levels.

*“International investors do not often understand local contextual realities and nuances, the needs women businesses or inclusive businesses in emerging markets have, and thus solutions that will actually work and how long it takes to see impact. To tackle this, we need more folks based in emerging markets to be involved in the solution design from the onset. Those coming into southern contexts from the global north should have a willingness to listen to other perspectives, especially if they have a true commitment to drive impact. They have to acknowledge that their perspective and approaches might not be 100% accurate, and thus be willing to work with local fund managers or local organizations in these markets to come up with solutions adapted to the needs of the market.”*

**- NATHALIE GOGUE-EBU, PARTNER, OPEN CAPITAL**

# 4. HOW TO MOVE FROM INSIGHTS TO ACTION: RECOMMENDATIONS AND TOOLS

19

As a field, we have been slow to recognize the pressing need to get more money into the hands of women fund managers in emerging markets. Beyond naming the problem, there needs to be a concerted effort on the part of the field to examine power imbalances inherent to investing and how these are magnified in foreign investing in emerging markets. And then fund experimental approaches that break with conventional methods to discover more equitable ones that address the unique needs of this population.

The field must steer away from a common response of “fixing the woman” and toward “fixing the system.” Drawing from the types of experimentation and testing that drove the emergence of gender lens investing, today we need testing and innovation in fund management methods that break with convention and that experiment with co-creation and knowledge sharing. Sharing power and drawing on local knowledge is critical to achieving sustainable results. Everyone –from conventional LPs to DFIs to philanthropic funders to GPs themselves as employers of potential future fund managers– has a role to play in creating both small and large changes that move us toward a more inclusive market. The moment calls for innovators to guide the path, illuminate the change needed, and offer practical steps and visionary approaches toward gender equality.

## 4.1 Low-Hanging Fruit: Working Within the System

### 4.1.1. Support Organizations Can Create More Opportunities for Local Women Fund Managers

Given the predominance of foreign funding in emerging market VC and PE markets, local women fund managers can benefit from accelerator and fellowship programs that give them the awareness of foreign LP expectations and the contacts needed to navigate the funding process. For example 2X Ignite not only helps fund managers best communicate their value proposition to LPs, it also helps with LP matchmaking itself. Such efforts should be repeated and replicated. Recognizing that *first-time* fund managers from emerging markets face even steeper challenges, new initiatives are targeting this demographic specifically. For example, [First Followers Fellowship](#) is a cohort-based educational fellowship for next-gen, gender-diverse, first-time fund managers starting with South and Southeast Asia.

Additionally, accelerator and incubator programs can be matched with peer networks that offer connections and support beyond the limited timeframe of programs. An excellent example is the Women in African Investment group, which is a network of first-time and emerging fund managers from Africa that provides its members with moral support and strategic connections and has a stated mandate of connecting them with DFIs looking to fund diverse fund managers.

## CASE STUDY | Mujeres Invirtiendo: Community of Women in PE

Based in Mexico, Mujeres Invirtiendo is a community of 100+ professional women from the PE industry seeking to achieve gender equity in this industry by increasing women's participation in investment teams and decision making. It does this specifically through the following initiatives:

1. *Networking, training, and business events.*
2. *Increasing the participation of women experts:* Mujeres Invirtiendo has created a database of women with panel experience and notes each woman's areas of expertise.
3. *Increasing the number of women working in funds:* Mujeres Invirtiendo serves as a facilitator for women who are looking to enter the industry and for funds that want to recruit women into their investment teams.
4. *Increasing the participation of women on boards of directors:* For companies setting up their boards, Mujeres Invirtiendo serves as a facilitator of women with board experience.

Learn more at [www.mujaresinvirtiendo.com](http://www.mujaresinvirtiendo.com)

### 4.1.2. LPs Can Alter Their Processes to Get More Money Into the Hands of Local Women Fund Managers

In the face of current processes excluding local actors and contributing to inequality, LPs need to not only increase access for individual women but also revisit their processes to reflect what works for emerging market first-time women fund managers. To do this, we recommend the following three steps:

1. *Set targets:* LPs can set internal goals to increase capital allocated to women-run or gender-balanced teams.
2. *Modify fund manager selection criteria:* Given that gender-related systemic barriers make it nearly impossible for women to meet the narrow, standard fund manager selection criteria, LPs can widen the pool by weighting industry experience or entrepreneurial experience combined with personal or private market investing experience.<sup>48</sup> This is especially important when assessing women fund managers from local markets whose professional experience may differ significantly from what is expected of a fund manager in the U.S. or Europe.

As part of this, the investment community can take a critical look at if the assumptions upon which PE/VC funding is built are fit for purpose. For example, investing in a first-time fund manager instead of a well-known industry darling could be considered too risky or it could be seen as a path

to a years-long relationship that leverages new skills and talent. Increasing exposure limits so that LPs can step in with higher capitalization for first-time fund managers will also go a long way toward women fund managers getting over that critical hurdle.

3. *Modify the investment process:* Tools like Criterion Institute's Metrics for Analyzing Power Dynamics in Investing support investors to consider and improve power dynamics. An improvement, for example, could be an LP giving priority to GPs that have fund impact and gender goals and particularly to those GPs that develop these goals in consultation with local organizations and community members. The latter is critical from a gender perspective, where challenges are highly contextual. Additionally, LPs can formalize gender-related questions into routine procedures (this is referred to as 'gender mainstreaming'). An example of this is adding to the fund assessment due diligence questionnaires a couple of set questions about gender goals and strategy and how GPs prioritize hiring and retention of women.



### Criterion Institute's Metrics for Analyzing Power Dynamics in Investing

In partnership with the Australian and Canadian governments, Criterion Institute developed metrics for investors to analyze power imbalances in the investing process and address these imbalances.

These metrics focus on the following areas, which is where unequal dynamics most often exist:

1. Knowledge – traditional financial knowledge is typically prioritized over the social need and/or community knowledge;
2. Access – investors have unilateral power to determine who is 'worthy' of financial access;
3. Decision Making – investors control deal terms and expected outcomes as well as the decision-making process itself;
4. Timing – investees have little opportunity to weigh in on timeline and urgency of investment;
5. Transparency – investees are required to provide considerable information without an accompanying expectation of transparency from the investor side;
6. Risk Sharing – when investment is entering marginalized communities, it is imperative to weigh the risks born by community members, however, this is rarely done;
7. Alignment/Incentives – alignment around impact and return objectives and incentives is rarely sought, so much as imposed, on investees.

The metrics have the ultimate objective of fostering trust between investors and investees. Trust, as the Criterion Institute notes, can be built or lost depending on how each of the above power dynamics is addressed.





### 4.1.3 DFIs Can Lead the Way

DFIs' dual mandate of self-sustainability alongside demonstrated impact uniquely positions them to drive support for local financial system actors. As LPs, DFIs can offer up new approaches and solutions that crowd in conventional investors, make public the benefit of investing in first-time women fund managers, and, as with 2X Global, lead by example for the next level of gender integration and promotion. The key next steps for DFIs are:

- *Set public targets to fund first-time women fund managers:* Given the research demonstrating the positive business and impact outcomes of gender diversity in investing, DFIs can publicly set their targets for funding first-time fund managers from emerging markets and challenge others to do the same.
- *Establish funding facilities for first-time women fund managers:* These funds can be instrumental in crowding in private sector funding alongside DFI money and are an immediate and simple opportunity to shift the investment landscape toward inclusion of women in all their diversity.
- *Modify selection criteria:* DFIs can modify selection criteria or create specific funding modalities for women-led funds, such as reducing the emphasis on previous fundraising experience or experience in senior fund investment teams.
- *Rethink power dynamics:* The disconnect between traditional funding models and local realities is a dynamic that has also been at play for decades in the development field. Aid priorities, policies, and interventions have largely been developed by donor countries, without local ownership.<sup>49</sup> The development field has begun to address this and the 2005 Paris Declaration on Aid Effectiveness, for example, calls for consultative processes with aid recipients and local leadership over decision making.<sup>50</sup> While this approach is not uniformly practiced, the principles present a useful playbook for foreign investing in the emerging markets. Increased capital flows on their own won't lead to equitable development.<sup>51</sup> How investment decisions are made and the power dynamics behind those decisions are critical.<sup>52</sup>



#### 4.1.4. GPs Can Drive a Larger Funnel

GPs have a critical role to play in enabling women to get the type of experience that LPs typically look for when choosing a fund manager. As we've seen, women are increasingly better represented at entry levels but their numbers fall off in more senior positions. There are three key action areas for GPs to address the systemic barriers in the way of women making it up the ranks and thus getting the experience they need to become future fund managers:

- *GPs can open the funnel beginning at recruitment.* Starting at the pipeline, PE and VC firms in emerging markets can reach beyond their usual networks to proactively communicate job opportunities to groups supporting women in finance. GPs can also debias hiring practices by employing emerging best practices of screening job descriptions for masculine language, having reviewers consider resumes that are redacted to eliminate any demographic data, and holding interviews following a uniform format.<sup>53</sup> Setting goals around diversity in hiring can help firms measure their performance year on year and identify areas of improvement. Where funds are owned and run by foreign investors, GPs must be particularly careful to respect how job experiences and qualifications may vary to ensure the hiring process isn't affected by the very human tendency to associate with similar individuals.<sup>54</sup>
- *GPs can remove common stumbling blocks that keep women from moving up.* Firms can analyze where drop-off is happening in the employee life cycle and create policies and supports to reverse the trend. Policies support women through different life phases and also indicate that women are welcome (e.g. parental leave, flexible schedules, care-related subsidies). However, policies are often not enough. It's important that firms also take steps to dispel the perception that making use of these policies will undermine an employee's career progression.<sup>55</sup> As an example, Patamar Capital has updated or implemented policies (e.g. parental/carer leave, sexual harassment, hiring, professional development, flexible work arrangement, safety) and structures (e.g. internal HR committee chaired by senior staff) to promote gender equity and inclusive work culture. Additionally, leadership and mentorship programs can help guide women through the transition from analysts to mid-level or from middle management to senior market leaders.
- *Men – who make up most senior roles at GPs – have a crucial role to play.* Male leaders must work to set a culture that values employees' paid work alongside their family and community roles. They can also proactively share public spaces and opportunities with up-and-coming women employees, which helps more junior-level team members see that women colleagues are valued and that there is a pathway to seniority for them as well.

## 4.2 Higher Hanging Fruit: Innovating New Systems

Bringing a gender lens to fund management is an invitation to innovate to overcome inequities. To help ensure that investors are solving the most pressing problems in a particular community, for example, many GPs are experimenting with new decision-making models that prioritize power sharing and community participation. LPs can look for investment opportunities to support these inventive approaches. Additionally, more funding is needed to track the impacts of these approaches to ultimately drive replication.

For funds to more deeply imbue leadership and processes with inclusive values, we recommend:

- **Power sharing.** LPs can push for funds to implement power-sharing methods in how they operate, bringing women and other marginalized groups into the decision-making process.
- **Committing to co-creation.** Participatory approaches to fund management and governance can increase impact and reduce risk for investors that lack local knowledge.<sup>56</sup>

### CASE STUDY

#### The Buen Vivir Fund's Participatory Investment Approach

The Buen Vivir Fund invests in income-generating initiatives launched by grassroots organizations internationally. Investees' participation occurs at multiple levels. First, the Buen Vivir Fund's Members Assembly is the governing authority of the Fund, making decisions on fund investments and direction. This Assembly is made up of one representative from each participating grassroots organization (i.e. investee) and investor organization. Second, investees return their capital in the form of a "solidarity contribution", which is instead of traditional interest. Solidarity payments stay in the loan fund to finance any future projects and act as insurance for more challenging projects.

- **Experimenting and learning.** LPs can prioritize funds that innovate products based on investees' needs.

LPs can also push beyond the suggestions here to fund initiatives creating whole new ways of working that challenge the status quo. Tracking the outcomes of these emerging tools is key for proving their efficacy for LPs, GPs, and the investee companies themselves. This evidence base can drive replication and increased access to more equitable capital throughout emerging markets.



## 4. CONCLUSION

While we don't have all the answers for how to overcome the gender-related cultural and structural barriers that are keeping women from advancing within firms and raising their own funds, the first step is to understand the problems. Looking critically at these dynamics and the conventions of finance can help us innovate new solutions to fix the system. If we fail to do so, we risk creating more marginalization through emerging market investing rather than less.

We also must consider the power dynamics inherent to the investment process which are exacerbated by gender, race, and class differences. Foreign investors committed to impact must stay vigilant that they are not reinforcing inequalities by ignoring local GPs because these local GPs have unfamiliar networks, backgrounds, and priorities. Women fund managers from emerging markets will spot unexpected opportunities and risks; this presents a major opportunity from both a return and impact standpoint. It is up to the supply side of finance to learn, listen, co-create, and start to share power.

This requires small tweaks as well as bold experiments that can move us forward both incrementally as well as—potentially—dramatically to a more equitable future.

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