VALUE FOR WOMEN | 10 YEARS

VALUE FOR WOMEN INSIGHTS

# INNOVATION

How Does Innovation Drive Change for Gender Inclusion in Business, Finance, and Investment?

VOLUME 1, ISSUE 5

**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.

## 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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In this brief, we look at a spectrum of innovations that are making business, finance, and investment more inclusive for women and more effective at driving gender equality. We first shine a spotlight on a selection of innovations from the last decade that have been particularly powerful. Then, given persistent gender gaps, we shine a spotlight on a selection of promising innovations moving forward. We conclude with the most powerful actions that first movers can take to fund or drive greater innovation in gender inclusion in finance in order to level the playing field for women and, ultimately, drive gender equality.

This brief draws from interviews with over 100 experts, investors, enterprises, and enterprise intermediaries –primarily in emerging markets– as well dozens of publications, countless case studies, and our own work over the last decade at Value for Women. For details on the research methodology, please see Appendix: Methodology and Interviewees.

# 1. INTRODUCTION: WHAT DO WE MEAN BY INNOVATION ON GENDER IN BUSINESS, FINANCE, AND INVESTMENT, WHY DO WE NEED IT, AND WHO DRIVES IT?



## 1.1 Innovation Means Bringing New, More Effective, and More Inclusive Solutions

In the context of gender in business, finance, and investment, and for the purposes of this brief, ***innovation refers to designing, testing, piloting, and measuring new approaches that promote gender and inclusion in investment, finance, and business.*** **It means disrupting "business as usual' and experimenting with new strategies, actions, results, and outcomes that improve women's participation and generate outcomes for gender equality.** Solutions can be of different types and cover a spectrum of processes and products including tools, partnerships, services, financial instruments, and more.

## 1.2 Innovation Is Driving The Field Forward

**Innovation has been critical to developing and shaping the field of gender in business, finance, and investing over the last decade.** The effort to bring gender and social inclusion to the core of impact-driven investment and finance has, in turn, catalyzed further innovations, and has led to the evolution of definitions and approaches as well. Innovation, complemented by learning, sharing, transparency, measurement, and evidence-building, has led to the creation of new entry points to reach a much broader set of enterprises, investors, and financiers.

**Depending on where a stakeholder is located within the ecosystem, the term innovation is likely to mean something different to each of them, and rightly so.**

For example, investors might consider a change in the way funds are structured or the adaptation of existing instruments as a key source of innovation. In their turn, DFIs, investors, and enterprises consider the 2X Challenge Criteria as a key innovation for its catalytic impact in creating a global standard for GLI. For enterprises, an innovation may be as simple as adjusting a product feature to respond to women's needs.

## 1.3 A Range of Stakeholders Have Been Catalytic in this Innovation

**The innovation ecosystem within gender lens investing (GLI) consists of multiple stakeholders** that continue to mobilize resources, ideas, and tools to challenge deep-rooted problems. **Of particular note have been the funders and investors that have made fundamental, infrastructural investments in innovation.** The willingness of funders in particular to step outside of the traditional grant and investment constraints, and foster experimentation, collaboration, and implementation of innovative ideas amongst ecosystem actors has been instrumental in promoting innovation on gender and social inclusion.

Yet over the last decade, important innovations have not only come from funders and investors but also from **community-based organizations, funders, emerging platforms, advisory services providers, financial services providers, networks, and multidisciplinary groups**, to name just a few. It has been a case of the sum being greater than the parts, where new ways of thinking, followed by testing and building experiments, resourcing efforts, and sharing lessons, have generated the continued cycle of innovative solutions that have accelerated the field.

*"We often think that innovation means new, shiny, and tech based. But it also means applying in new ways the wisdom of the past. Working closely over years with indigenous women's organizations in Guatemala brought a vision of interconnectedness to this field. I saw the importance of moving beyond siloed sectoral thinking to holistic action on gender. This has profoundly shaped our work and our contribution to the field today."*

– **REBECCA FRIES**, CO-FOUNDER AND CEO, VALUE FOR WOMEN

More particularly, we have seen that the development of the business case (see Insights Issue 2: The Business Case), which puts gender at the heart of financial decision making, and the broader mindset shifts from seeing GLI as solely about women-led enterprises to include new entry points for gender and social inclusion (see Insights Issue 3: Capital) have laid the ground for innovation in the sector. We have seen the importance of innovation in broadening the ways through which we tackle gender inclusion challenges.

# 2. THE CURRENT FIELD OF INNOVATION IN FINANCE FOR GENDER INCLUSION



A variety of innovations are moving forward the field of gender inclusion to impact business, investment, and finance. **In this brief, we highlight a selection of innovations in finance**, specifically, that have had the biggest impact on shaping this field and those we think have the greatest potential to further drive gender equality.

## 2.1 Innovations Driving Change over the Last Decade

Innovations in finance over the last decade have been quite diverse, and have driven both the growth of the field and, ultimately, a more level playing field for women.

Looking at process innovations, several investors, intermediaries, and networks we spoke with indicated that the creation of the 2X Challenge and Criteria was one of the key milestones in the development of the field. **The 2X Criteria have catalyzed attention and resources from a broad spectrum of investors,** including development finance institutions (DFIs), international financial institutions, and private sector players. The 2X Challenge, a flagship initiative under 2X Global has mobilized US$16.3 billion of investments with a gender lens over 2021-2022, exceeding its initial target of US$15 billion. It is now the global standard and has provided a common understanding of GLI across a range of stakeholders.

Looking at product innovations, multiple innovations are helping move the needle. **Gender financing instruments have been most common and have included gender bonds, incentives, and blended financing.** Additionally, in recent years, a range of actors have deployed capital to pilot innovations tailored to meet the needs of women-led enterprises, particularly small and medium ones. There have also been new tech-driven offerings, particularly in the fintech, climate tech, and agritech sectors, that are designed specifically to cater to women customers. There have also been innovative programs.

Additionally, on the product side, **programs such as 2X Ignite offer new avenues for building the market** for gender-smart fund managers, unlocking the potential of women investors in emerging markets. The World Bank's Gender Innovation Labs across multiple geographies have been a key contributor to the development sector, rigorously testing and gathering evidence for interventions focused on closing gender gaps in earnings, productivity, assets, and agency.



## 2.2 The Persistent Gaps That Necessitate Further Innovation

More innovation is needed to achieve the complex changes we seek for women, as gaps persist to this day.

For example, despite the leveling of the playing field for women that has occurred as a result of the aforementioned innovations to date, **significant gaps persist in women-led enterprises' and women entrepreneurs' access to financial and non-finance resources.** On financial inclusion, global financial account ownership increased from 51% to 76% between 2011 and 2021, and the gender gap in account ownership in developing economies decreased from 9 percentage points to 6 percentage points between 2017 and 2021. Now, there is critical work to be done to get us the rest of the way—to expand financial access for those that remain unbanked, including women, youth, and the unemployed.

**There continues to be a large, unmet, demand for financing from formal and informal micro, small, and medium enterprises (MSMEs) in emerging economies**. Data from 2017 indicates a US$5.2 trillion gap for formal MSMEs in developing countries, which is 1.4 times the current lending available to these countries. Of this total financing gap, the MSME financing gap for women, specifically, is estimated at US$1.5 trillion.

Looking at workplaces, value chains, and markets, we see that on average enterprises that have taken the Gender Smart Nexus **have taken up only about a third of the recommended measures for gender inclusion.**

**Gender gaps continue to persist in tertiary STEM education.** Despite women having higher tertiary education enrollment rates overall as compared with men, globally, only 7% of women choose to study engineering, manufacturing, or construction (compared to 22% of men) and only 3% of women are enrolled to study information and communication technologies (compared to 8% of men).

As of 2022, **the global gender gap has been closed by 68.1%**. It is estimated that at the current rate of progress, it will take 132 years to reach parity. In the face of these persistent gaps, the following section looks at promising innovations in finance for closing these gaps.



## 2.3 Looking Forward, Promising Innovations in Finance for Driving Gender Inclusion

Innovative financing solutions can be broadly organized into three categories:

1. Solutions that aim to **direct more capital to women** and women-led enterprises or to close gender gaps in financial inclusion;
2. Solutions that seek to **incentivize organizational change on gender inclusion and direct more capital to gender-inclusive enterprises**; and
3. Solutions that **reward outcomes for women.**

### 2.3.1 A Variety of Solutions Aim to Direct More Capital to Women and Women-Led Businesses or to Close Gender Gaps in Financial Inclusion

Given the persistent gender gaps in access to finance, many leaders in the sector continue to explore and advance ways of providing right-sized, catalytic financing, especially at scale. In this section, we highlight three broad types of financial innovations in this area: solutions that are closing gaps in financial inclusion for women at the base of the pyramid; solutions that are providing access to capital for the "missing middle" of women-led MSMEs; and bonds that are unlocking finance for GLI in public markets.

1. **Solutions Seeking to Bank Unbanked Women or to Close Gaps in Financial Inclusion for Women: Perhaps the Area with the Most Innovation to Date.** Access to credit and to bank accounts has improved the financial inclusion of women over the last decade. Today, **we see significant scope for further experimentation and improvement in financial products that go beyond access to finance to promote women's financial health.** Along these lines, there has been movement in the promotion of women's long-term use of and engagement with financial products, including uptake of non-credit products such as savings and insurance products. If designed with consideration for the specific needs of women and in order to positively impact women's lives, these products can unlock opportunities for women's upward mobility and build their financial health and resilience.

   **The growth in digital finance has been a key innovation for improving financial inclusion, particularly among rural and poor women, and we anticipate that it will continue to be so.** Digital financial services, such as mobile money, have reduced the costs of storing funds, enabled quick and affordable transfers across long distances, and improved remittances, consumption, and investments for all users. This points to the unique role of digital finance in closing the persisting gender finance gap and, ultimately, improving women's agency to make economic decisions.

   In this vein, **innovations leveraging mobile money to spur savings hold the potential to improve financial health and give women control of the use of their capital.** Mobile money offers an alternative to the less secure and reliable, yet common, savings mechanisms like neighborhood savings clubs or the buying of excess stock. Savings are critical for managing day-to-day finances, navigating financial emergencies, and planning for the future. For women from rural and low-income backgrounds, in particular, savings are also critical for financing the needs of their informal microenterprises. Private, secure savings accounts for women reduce the pressure on them to share their income with family members. An example is MiCash, a mobile money service in Papua New Guinea, that was marketed as a secure savings product to attract a significant women customer base due to the anonymity it offered and the ease of its Know Your Customer (KYC) requirements.

   **In recent years, there has been a surge in the deployment of microinsurance products.** This has been fueled by the market potential of serving women customers with insurance products (estimated at US$1.7 trillion by 2030, half of which will come from ten emerging economies) and the availability of low-cost mobile devices to reach underserved and unbanked communities. BancoSol in Bolivia, for example, offered a uniquely comprehensive health insurance program to women in conjunction with Zurich Insurance. Looking forward, insurance has a unique role to play in offering financial protection, mitigating risks, and reducing vulnerabilities for women in low-income countries who are typically the household risk managers.

2. **Solutions Tackling Gender-Related Constraints on Access to Capital for Women-Led SMEs: An Area Seeing a Growing Variety of Innovative Financing Solutions.** Women-led enterprises with products and services targeting women and girls are overrepresented among unfinanced SMEs (referred to as "the missing-middle"). Innovative approaches and products to enable capital flow to this segment have emerged.

   **Cash flow lending allows women clients to surmount typical challenges of women-led SMEs**, such as the lack of financial records, collateral, and credit history. This lending mechanism uses alternative data from mobile phone usage patterns, purchase habits, or historical transactional behavior to make credit decisions. For example, in Nigeria, a digital cash flow-based lending product (with support from the World Bank) is being developed that allows women-led SMEs to apply for loans on their phones, reducing dependency on collateral to obtain capital.

   **Revenue-based lending has the potential to support women-led enterprises in particular,** as women entrepreneurs are more likely to lack the assets needed for loan guarantees. In this type of lending, investors receive a percentage of the business's monthly or quarterly revenue until a predetermined amount has been paid. Unlike typical debt financing structures, in revenue-based financing there are no fixed payments; instead, during periods where there is a fall in sales, an investor will see their payment reduced. And conversely, if the company's actual income outperforms projections, it will pay investors more quickly.



**BOX A**

### The Case of VIWALA's Revenue-Based Finance

Viwala, an independent social enterprise under the umbrella of New Ventures and conceived jointly with Pro Mujer, offers multiple revenue-based lending solutions to women-led SMEs. **Crédito Mujeres** is one of these. It is available to companies that can verify their monthly sales and is offered both with and without a guarantee, depending on the size, terms, and risk of the deal. To know more about Viwala and its revenue-based lending solutions, please see here.

Additionally, **fintechs are developing alternative risk assessment mechanisms** that allow financial institutions to assess the creditworthiness of women who lack sufficient credit history. Fintechs are leveraging advanced data analytics tools as well as emerging artificial intelligence-based technologies, like machine learning and natural language processing, to establish credit scores for underserved women and enable women to gain access to credit and build their credit history.

**Another alternative to traditional credit scoring that is being experimented with is psychometric credit assessment.** In Ethiopia, for example, a leading fintech company designed a psychometric test to enable women entrepreneurs to borrow higher-value loans. The World Bank Gender Innovation Lab's review of this test found that women entrepreneurs reported a 24% increase in business profits after borrowing, and repayment rates were 99% in the initial months. After the successful pilot in Ethiopia, the technology is now being introduced in Zimbabwe, Madagascar, and Indonesia.

**Alternative products and services to traditional bank-facilitated trade finance** are also gaining traction, largely thanks to pilots by fintechs or development institutions. In Canada, for example, Export Development Canada works specifically with women-owned and women-led SMEs to provide them with not only trade knowledge and insights but also export credit and guarantees to secure international transactions, as well as credit insurance to cover losses associated with unpaid invoices.

**At an ecosystem level, innovative initiatives, such as the Women Entrepreneurs Finance Initiative (We-Fi), are creatively mobilizing financial and non-financial support for women-led SMEs in developing countries at greater scale.** In We-Fi, for example, Implementing Partners are embedding performance-based incentives in credit lines provided to financial intermediaries as well as in risk-sharing facilities with banks, to encourage clients to more assertively lend to women entrepreneurs. This low-cost tool boosts lending by financial institutions while ensuring high leverage and direct accountability.

3. **Gender Bonds: A Public Market Financial Instrument That with Greater Innovation Could Mobilize Larger Amounts of Capital.** Innovation in public finance markets unlocks previously unavailable pools of capital and has the potential to mobilize capital with a gender lens at scale. Falling under the broader umbrella of sustainable finance instruments available on public markets, **debt instruments such as social bonds, sustainability bonds, and sustainability-linked bonds provide opportunities for market participants to advance gender equality.** Yet despite growth in sustainable and green bond issuances, very few of these have gender as their priority objective. One estimate suggests that, within a global sustainable investment universe of over US$40 trillion, only about US$17 billion in assets are gender-labeled financial products. **Additionally, only 1% of sustainable bonds referencing the SDGs are tied to SDG 5: Gender Equality.** This points to significant untapped opportunities.

   At the same time, **gender bonds, a type of social bond dedicated exclusively to the cause of gender equality, are designed specifically to mobilize debt capital for impact on a pre-defined group of women**— as leaders, entrepreneurs, employees, consumers, and community stakeholders. These bonds enable, for example, women-led MSMEs to gain access to affordable financing from traditional pools of capital to which they might otherwise not have had access. Gender bonds have grown over the past few years, particularly in Asia and Latin America. Examples of gender bonds focused on supporting women entrepreneurs include the Women's Livelihood Bond, issued by the Impact Investment Exchange in Asia and Africa, and the gender bonds issued in Colombia by Mibanco, with IDB Invest as the key anchor.

**While the jury is still out on whether public market innovations, such as bonds, are catalyzing more finance for women** (see Box B), it is clear that, despite the growth in gender bonds and the resultant increasing recognition of their potential, mobilization of capital for gender equality through gender and other bonds has remained limited. Today, demand outstrips the supply of such products.

**BOX B**

## What We Have Heard: Are Gender Bonds Catalyzing More Finance for Women?

Despite growing interest and the emergence of complementary tools as well as case studies, the jury is still out on whether gender bonds are catalyzing more finance for women. Experts in the field have yet to determine if these bonds are realizing their full potential to impact women.

Some of the investors we spoke to indicated that gender bonds are not as innovative as they first seemed, as they reward existing efforts. They also noted that climate and green bonds, for instance, had grown more rapidly and had been more successful in catalyzing finance in those impact areas than gender bonds. The lack of definition of and evidence on gender additionality is one reason for this. In this context, investors noted the lack of rigor in collecting, consolidating, and reporting impact data to help understand if gender bonds are pushing new boundaries, or creating meaningful impact, on the ground. Acknowledging the need for better identifying if bonds are creating meaningful impact, the Women Livelihood Bonds, issued by the Impact Investment Exchange (IIX), are taking steps to bring the voice of on-ground beneficiaries into its monitoring and evaluation processes. However, bonds that take similar measures are far and few in between.

Moreover, to date the gender bond market remains dominated by development finance institutions, with organizations like the International Finance Corporation or Inter-American Development Bank providing anchor investments or guarantees or issuing the bonds themselves. Additionally, with limited participation from governments in gender bond markets, the potential for financing projects through sovereign bonds that can be used to support governments in building more equal and resilient economies and communities remains unrealized.

The experience to date has shown that further innovation is needed around bonds for them to mobilize capital with a gender lens at scale, namely:

- Clearly defining the business case and impact case of a gender bond for investors;
- Improving the understanding of, guidance on, and tools available to structure gender bonds and their costs;
- Improving the evidence base by systematic tracking, consolidation, and communication, including of their impact on gender inclusion and women's lives.

### 2.3.2. Incentivizing Organizational Change: Innovations That Incentivize Action and Policies That Create More Inclusive Workplaces, Value Chains, and Markets



**Investors have the power to influence and incentivize their portfolio companies to consider and take steps to improve gender outcomes through their business practices.** Of course, not all investors have the same ability to incentivize gender equality; as seen in Calvert Impact Capital's framework for incorporating gender across different asset classes, philanthropic and private equity investors are more able to utilize organizational change incentives than are investors in public markets, given the high decision-making power afforded to them by their direct investments. Nevertheless, we have seen some interesting results and outcomes emerging from investors' and organizations' experimentation in incentivizing organizational change.

**Multiple funds and investment vehicles have sought to provide incentives to their portfolio companies, or investees, to improve gender outcomes.** For example, IDB Invest uses concessional resources and grants to provide gender-related incentives to its portfolio companies (see Box C), and Aceli Africa rewards financial institutions (Box D) that on-lend to investees that are aligned with 2X criteria.

**BOX C**

#### IDB Invest's Results-Based Incentives Drive Organizational Gender Outcomes

IDB Invest uses a financial incentive that is based on gender outcomes. This serves to put the issue on the table from the outset of negotiations. The incentives are included in the loan contract and vary in size depending on the ambition for achieving gender outcomes and the investments the client has to make to achieve those outcomes. And if the outcomes bear out, the incentive becomes a reduction in the interest rate on the loan thanks to concessional funds. In sectors where women have limited representation, the incentives are particularly useful, for example successfully increasing women's participation at multiple levels within a company. Danper, a Peruvian agribusiness company, received a loan from IDB Invest and alongside it received technical assistance to obtain the EDGE certification, which measures gender equity within companies.

To learn more, please click here.

BOX D

## Aceli Africa: Incentives With a Gender Criteria for Agri-SME Lenders

Aceli is a market incentive designed to address the high risks and transaction costs of lending to small and medium enterprises (SMEs) in the agriculture sector. Aceli raises grant funding from public and philanthropic donors and uses it to offer a combination of financial incentives for lenders and technical assistance for SMEs and lenders. Launched in 2020, Aceli is currently working in Kenya, Rwanda, Tanzania, and Uganda with over 25 international impact investors and financial institution partners (including commercial banks and non-bank financial institutions domiciled in the region).

Aceli designed its incentives to steer lenders to seek out and serve the highest-impact SMEs by sharing in the risk and defraying the transaction costs associated with originating and servicing these loans. To motivate lenders to seek out and serve gender-inclusive and/or women-owned or -led businesses, Aceli specifically offers a gender impact bonus incentive. To determine each loan's eligibility for this gender impact bonus, Aceli uses the 2X Criteria. For more information on this bonus, click here.

To learn more about Aceli's approach to gender inclusion and insights from its first 22 months of offering impact-linked financial incentives for lenders, click here.

### 2.3.3 Outcomes-Based Financing: Rewarding Impact on Gender Equality

**Outcomes-based financing is an innovative solution that ties financing to the achievement of results.** Specifically, it ties financial payments, grants, or investments to the achievement of specific outcomes (as opposed to outputs and processes). These results may be about improved livelihoods, access to finance, access to reproductive, maternal and women's health, access to education, and more. It not only focuses the investment on the achievement of results but it creates more room for improved accountability in the investment process.

**Outcome-based financing approaches include impact-linked finance and impact-linked carry,** which situate impact at the core of finance. These solutions incentivize the delivery of positive impacts while increasing accountability in the measurement of actual impact achieved and, therefore, have the potential to catalyze gender inclusion and equality at scale.

**Impact-linked finance** links financial rewards to the achievement of positive social outcomes. In so doing, it **incentivizes investors and market-based organizations to scale the achievement of positive outcomes.** It is particularly useful because it can reward positive outcomes across several financing instruments, including equity, debt, and guarantees. With impact-linked loans, for instance, interest rates on loans decrease as impact is achieved, per pre-defined metrics. The Impact-Linked Finance Fund (see Box E) describes how impact-linked finance works in practice.



**Impact-linked carry, an example of impact-linked finance, is an emerging tool that incentivizes and holds fund managers accountable for the impact and financial returns they have promised.** This solution borrows from the traditional incentive structures implemented by private equity and venture capital where fund managers (general partners) are offered a share of the profits from the fund, known as 'carried interest' or 'carry', which are due to their investors (limited partners). The impact-linked carry model rewards the investment team based on verifiable impact the team achieves through its investments in startups. This is part of the increasing experimentation we are seeing with incentive structures to explicitly promote impact through investing.

**BOX E**

### Impact-Linked Fund for Gender-Inclusive Fintech

While inclusive fintech solutions in emerging markets have significant potential for reducing financial inclusion gender gaps through offering cost-effective and convenient access to financial services, private sector investments in fintech companies are not structured to ensure this result.

Several partners, including Roots of Impact, Women's World Bank, iGravity, and Village Capital, wanted to change this. They wanted to structure their investments to ensure this result. So they launched an Impact-Linked Fund for Gender Inclusive Fintech (ILF for GIF) to provide both impact-linked finance and technical assistance to encourage and support fintechs to pursue gender outcomes in financial inclusion.

- *Criteria*: The fintechs must be early-stage to growth-stage enterprises, they must meet at least one of the 2X Challenge Criteria, and must have high impact potential and a corresponding growth plan. ILF for GIF gives special focus to fintechs that can serve vulnerable women, such as women migrants.
- *How it works*: The fintechs identified by participating investment funds are granted financial incentives as a reward for achieving social impact, which improves their profitability. An independent verifier ensures that all impact data collected and consolidated is correct. Additionally, on a case-by-case basis, the impact verification process attempts to include perception data from the women those fintechs serve.

To learn more, see here.

Outcome-based financing initiatives flow from the –explicit and implicit– criticism that the impact investment field lacked accountability on the impact generated by investments, such as improvements in women's livelihoods or empowerment. By directly linking financial rewards to the achievement of positive social outcomes, impact and accountability are thereby 'baked in'.

Yet **this is still largely unchartered territory**; to date, there have been only a few funds using impact-linked carry and, to our knowledge, none with a specific gender focus. This means that trailblazers will need to work through the technical challenges of design and structuring (e.g. defining and standardizing gender outcomes like women's empowerment).

**Then, once launched, measuring and/or verifying the gender-related outcomes requires resources and technical expertise.** When discussing the limited effectiveness of some of these innovations, interviewees repeatedly pointed to the lack of verification mechanisms to ensure transparency and accountability. Innovative verification mechanisms, such as industry certification efforts from the likes of 2X Global, are welcome but incur costs for those being certified, which has proven to be a stumbling block for other impact initiatives in the past.

**Underlying these verification challenges is the fact that consensus is needed on how to measure, and lean methodologies are needed to do the measurement.** Without this, it will be harder for investors and enterprises to do impact/outcome measurement. This will raise investor and stakeholder concerns around 'impact washing' and 'pinkwashing' and significantly hinder the uptake of innovations at scale.

More resourcing is needed for experimentation on effective and lean certification or validation processes to reduce costs, improve transparency, and, ultimately, drive the ability of financial solutions to move the needle for gender equality.

# 3. HOW CAN WE FOSTER MORE INNOVATION FOR GENDER INCLUSION?

All the innovations covered in this brief, from those directing more capital to women and women-led enterprises to those incentivizing organizational change on gender inclusion and those rewarding outcomes for women, are expanding the field and our knowledge of gender inclusion in business, finance, and investing. And while innovations are moving at different speeds across these three areas, they all have the potential to scale gender inclusion across business, finance, and investment. As each evolves, we will be better able to discern the full impact of that solution.

**Moving forward, continued innovation is required to drive both greater uptake of existing innovations and the creation of new products and processes.** And because innovations often represent a departure from business as usual, discerning their full impact takes time, redirection of resources, and learning. Unleashing innovation will help us accelerate the closure of critical gender gaps, move the GLI field forward faster, and level the playing field for women in finance.

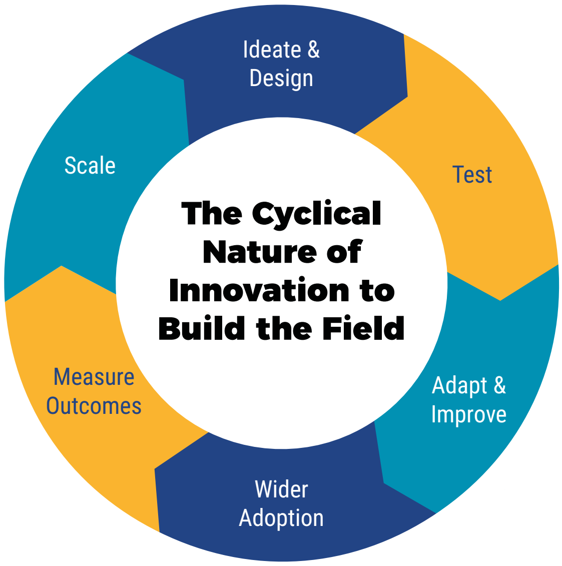
## Be a First Mover: Find a Way to Fund or Drive Innovation

Figure 1 demonstrates the cyclical nature of innovation. The past decade has shown that, given the scale of the challenge of closing the gender finance gaps, first movers– from funders and investors to ecosystem builders –must cast a wide net to find new approaches.

*"We have catalyzed the field over the past decade because of first movers who invested in trying new things. They had the patience to see what would work, and stick, to put gender and social inclusion at the center."*

**– REBECCA FRIES**, CO-FOUNDER AND CEO, VALUE FOR WOMEN

## FIGURE 1. The Innovation Cycle






**Today, a broader infusion of resources is needed from first-mover funders.** The last decade in particular has shown that the ecosystem for innovative ideas, actions, products, and services requires long-term, patient capital. What is needed are funders that seek to experiment with ways to disrupt and expand the field far more than to get a return on investment. Their financing is most urgently needed to:

- encourage the participation of diverse voices and perspectives in devising new ways to conduct investment, finance, and business;
- reduce, for a broader set of organizations, the cost of receiving support for taking gender-inclusive approaches;
- de-risk future investments;
- and incentivize uptake by commercial market stakeholders (for example, funding pilots to establish scalability).

This capital will only partially yield measurable, traceable results. This can be followed later by measuring impact. This is normal as the impact can only be measured after innovative interventions have been adequately piloted and tested.

Not only are more funders of innovation needed but so too are innovators. **Field builders and investors must help financial institutions and enterprises to innovate**, be it through offering technical assistance facilities, sharing learnings, embedding performance-based incentives, creating new standards, and so on.

**There is a particular need for first movers who are willing to innovate in areas beyond credit.** To date, experimentation has largely occurred in access to finance, particularly in credit solutions, and now it needs to expand to additional types of solutions. Key to this experimentation is incorporating the challenges to growth that women entrepreneurs and women-led enterprises face, the contextual realities in which they operate, and, ultimately, their specific financing needs (e.g. willingness to seek debt capital versus equity; need for flexible lines of credit over other kinds of financial support; need for non-financial support).

*"There is this perspective that women don't want equity funding because they don't want to be diluted…there's been a focus on debt funding [but] we found women entrepreneurs were seeking long-term business support which better aligned with an equity strategy and coming in alongside them as a shareholder."*

**– JENNIFER BUCKLEY**, FOUNDER AND MANAGING DIRECTOR, SWEEF CAPITAL

**As you fund or drive innovation, evidence and learning are critical.** Furthermore, impact managers, investment officers, and gender champions in emerging markets do not want to "pinkwash", and many want to go beyond "counting women" to move towards measuring impact. Initially, innovation results can look at organizational change, practices, and increases in women's participation. Later, this can be followed by measuring the impact on women's lives.

This measurement doesn't always have to be difficult– *see the Appendix at the end of this brief for a measurement tool for investors.*

Ultimately, widely sharing experiences and outputs, and learning from these actions with peers that are funding and driving innovation will broaden learning agendas.



# 5. CONCLUSION

We began this brief by asking how innovation drives change for gender inclusion. We saw that innovation unlocks more pathways to accelerate gender and inclusion in finance, investment, and business in ways that ultimately improve women's participation and generate outcomes for gender equality.

Over the past decade, there has been innovation on multiple fronts in gender in finance, investing, and business and this has been critical to developing and shaping the field. These solutions have covered a spectrum of processes and products from tools and financial instruments to partnerships, services, and beyond.

Today, in the face of persistent gender gaps and a growing desire to do more for gender inclusion, there needs to be even greater space for, and investment in, innovation. Then, these innovations need to be shared, such as through case studies and product and service analyses. They also need to be measured; we all need a clearer understanding of which of the innovations shared in this brief can lead to more and better gender action and outcomes, and more impact studies and rigorous evaluations are needed to achieve this. More innovation, sharing, measuring, and learning will ultimately unlock more pathways to accelerate the achievement of gender and inclusion goals.

# APPENDIX: MEASUREMENT TOOL FOR INVESTORS

In the tool below, we identify the different starting points an investor may be at in measuring its impact on women and gender equality, we provide guidance on how to move forward with minimal financial and human resources, and we offer sample metrics that investors can use.



| MEASUREMENT TOOL FOR INVESTORS | | |
|---|---|---|
| Your Starting Point | How to Move Forward (pick one to begin) | Sample Metrics |
| You need simple gender-related metrics you can track in your portfolio over time. | • Collect 2x Criteria-aligned metrics across different sectors<br>• Employ the 2X Assess tool with your portfolio (this is a measurement tool for assessing gender inclusion within investing institutions and their portfolios)<br>• Count the number of women-led businesses, women-owned businesses, and gender-forward businesses in each stage of your support process | • Percentage of the portfolio that is led by a woman<br>• Percentage of the portfolio that meets 2X Criteria |
| You want to go beyond women in leadership and gender diversity metrics to track intentionality, actions, self-identified results, and organizational change among investees over time | • Develop a gender benchmark of your portfolio (we recommend doing this with tools such as VfW's Gender Smart Nexus or The Women's Empowerment Principles (WEPs) Gender Gap Analysis Tool)<br>• Use the VfW Gender Smart Nexus Self-Assessment Tool to identify possible gaps in your investment and data process | • Percentage of portfolio companies that report seeing positive changes as a result of gender-smart actions<br>• Percentage of portfolio companies that collect sex-disaggregated statistics on buyers and clients |
| You want to go beyond counting women-led or gender-inclusive (2x Criteria-aligned) businesses in your portfolio and measure impact on women's livelihoods, but you and/or your businesses have limited resources | • Apply lean methodologies to receive qualitative feedback from women in the workforce or women impacted by investee operations or solutions (for guidance, see Acumen's A Lean How-To Guide Understanding Gender Impact) | • Net Promotor Score given to the company by women vs. men<br>• Changes in earning, reported by women vs. men |
| You want to measure impact on women's agency, empowerment, and/or livelihoods and you or your investees/partners have the resources to do so | • Apply an industry-leading methodology such as the Women's Empowerment in Agriculture Index or the W+ Standard<br>• Sensitize investees on the importance of collecting impact metrics to better understand clients, employees, and/or stakeholders | • Time saved as a result of the use of the product<br>• Autonomy in income, self-efficacy |

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