

S Y S  
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DEUTSCHE INVESTITIONS- UND ENTWICKLUNGSGESELLSCHAFT MBH (DEG)  
& OESTERREICHISCHE ENTWICKLUNGSBANK AG (OEEB)

# RESEARCH STUDY ON THE TRANSFORMATIVE IMPACT OF GENDER-LENS INVESTING



**Final Report**

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## Abbreviations

DEG	Deutsche Investitions- und Entwicklungsgesellschaft mbH
DFI(s)	Development finance institution(s)
ESG	Environmental, social, and corporate governance
HR	Human resources
KPI(s)	Key performance indicator(s)
OeEB	Oesterreichische Entwicklungsbank (Development Bank of Austria)
GBV(H)	Gender-based violence (and harassment)
GLI	Gender-lens investing
SDGs	Sustainable Development Goals
STEM	Science, technology, engineering, mathematics
WEP	Women's Empowerment Principles

## Executive Summary

Closing the gender gap in economic participation and opportunity is not only “the right thing to do”, but also “the smart thing to do”: Promoting women’s economic empowerment as a prerequisite for achieving gender equality contributes to realizing human rights and social development, as well as to enhanced business performance and economic growth. **Gender-lens investing has become a key approach in the field of private sector investment to provide women in developing markets with improved access to entrepreneurship, workplace equity, financial products, and services.** In this context, the G7 Development Finance Institutions’ (DFIs), including DEG and OeEB, made a major commitment to further mobilize investments for women’s economic empowerment by launching the “**2X Challenge: Financing for Women**” in 2018.

**With a view to strengthening their efforts to promote gender equality, DEG and OeEB commissioned this research study on the transformative impact of gender-lens investing.** Its objective is to generate insights on *how* activities of DFIs and other investors can *sustainably* contribute to a transformation of root causes that perpetuate gender inequalities. A focus was placed on the role of **women’s leadership** as one aspect of women’s economic empowerment. Based on a literature review, an assessment of DEG’s and OeEB’s investment portfolio performance<sup>i</sup> on the 2X Challenge, exploratory interviews with experts in the field and three case studies with DEG and/or OeEB clients, the study’s **main findings** are:

**There is limited generalizable evidence on the effects of gender-lens investing on women’s economic empowerment. Yet, academic literature points to key factors that enable activities of economic empowerment to unfold transformative impact on gender equality.** These include, inter alia, the consideration of women’s power and agency beyond economic opportunities, as well as the interaction of women’s economic empowerment with other areas relevant to gender equality, e.g., gender-based violence and harassment. Moreover, transformation requires commitment to address the role played by men and institutions, including tackling harmful gender norms and behavior. To what extent respective considerations are already implemented in DEG’s and OeEB’s approaches to gender-lens investing was further explored in the study’s review of the institutions’ investment portfolios.

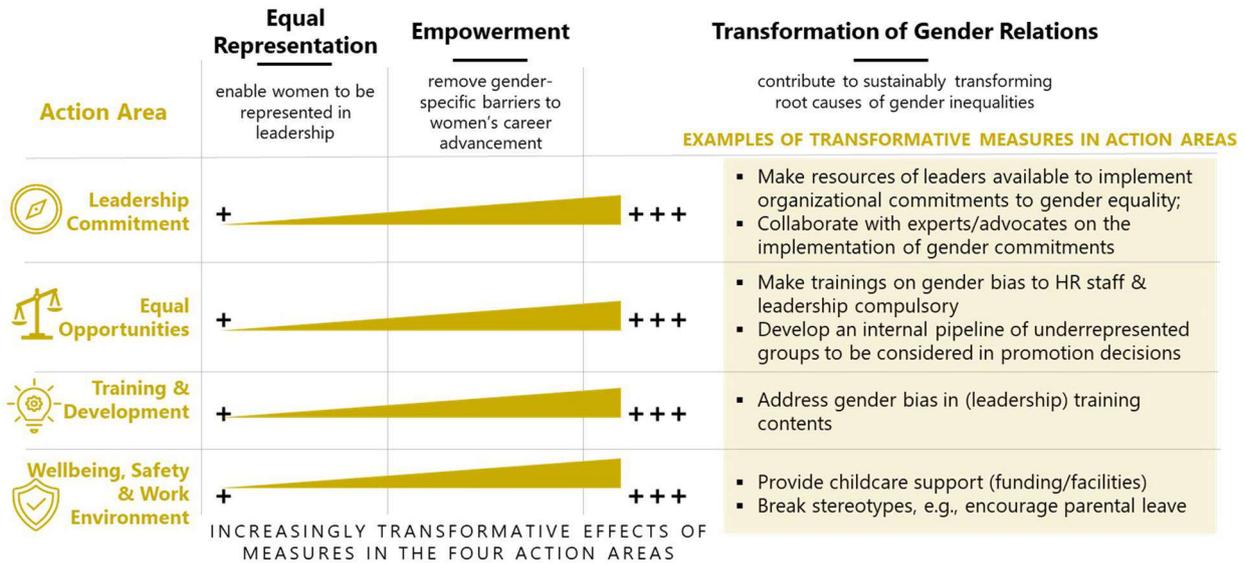
**In the field of gender-lens investing, the 2X Challenge presents a current international standard in assessing an investment’s contribution to women’s economic empowerment. The study revealed that the majority of DEG and OeEB investments currently align with these standards.** They perform particularly well on the 2X “leadership” criterion, and, more specifically, on its sub-criterion “share of women in senior management of 20-30%”. Nevertheless, there is potential and interest of DEG and OeEB clients to scale current efforts and go beyond the 1.5 out of five 2X criteria that an investment fulfills on average, and to contribute to a transformation of unequal gender relations. To what extent fulfilled 2X criteria indicate a meaningful impact on women’s economic empowerment, was further explored in three case studies.

**In particular, the case studies took a closer look at the effects that women’s leadership, as one of the key 2X Challenge criteria that DEG and OeEB investments frequently fulfill, can have for women’s economic empowerment.** They provided insights into concrete measures that DFIs/investors and their clients should pursue to enable equal representation, create an empowering environment, and sustainably transform gender relations. Key **recommendations** both at the level of individual organizations and at the level of cooperation between DFIs/investors and clients were derived:

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<sup>i</sup> To assess the portfolio’s performance, DEG and OeEB developed a survey tool that was sent out to all clients. In total, DEG and OeEB received 181 survey responses. It is assumed that those clients who see gender as a topic for themselves were more likely to respond (“selection bias”), thereby reducing the representativeness of the sample.

At **individual organizational level** (at DFIs/investors’ and clients’ organizations), it was found that women’s leadership can have positive effects on women’s economic empowerment if pre-conditions in the following **four action areas** are met:



In the **cooperation between DFIs/Investors and clients**, transformative effects on women’s leadership at client level can be achieved through the following approaches (including exemplary measures):

Approaches	Transformation of Gender Relations
	contribute to sustainably transforming root causes of gender inequalities
<b>EXAMPLES OF TRANSFORMATIVE APPROACHES IN ACTION AREAS</b>	
 <b>Be a Role Model</b>	<ul style="list-style-type: none"> <li>Build internal expertise &amp; commitment to “walk the talk” on gender equality externally</li> <li>Develop a theory of change and internal and external gender strategies</li> </ul>
 <b>From Minimum Requirements to Impact</b>	<ul style="list-style-type: none"> <li>Develop incentivizing impact measurement on gender equality &amp; minimum requirements all investments must meet</li> <li>Mainstream gender in the investment cycle &amp; be in constant dialogue with clients on progress</li> </ul>
 <b>Technical Assistance (TA)</b>	<ul style="list-style-type: none"> <li>Build internal expertise to offer assessments, resources, good practices, support in product development with a gender lens</li> <li>Mainstream TA in the investment cycle</li> </ul>
 <b>Networks, Platforms &amp; Community</b>	<ul style="list-style-type: none"> <li>Create, invite clients &amp; participate in exchange networks on gender equality</li> <li>Showcase good practices and connect actors</li> <li>Collaborate with women’s rights and gender equality organizations and activist</li> </ul>

Thus, the study provides key insights into the enabling factors for women’s leadership and economic empowerment and how DFIs and other investors can contribute to it.

# 1 Introduction to the Study

The World Economic Forum’s Global Gender Gap Report 2021 estimates that it will take another 267.6 years to close the **global gender gap in economic participation and opportunity**<sup>2</sup>. This prognosis builds on two contrasting developments: While the number of women among skilled professionals is rising, and wage equality on average increasing, overall income disparities remain. Moreover, low representation of women in leadership positions persists, whose share constitutes less than one-third of all managerial positions globally. Since the outbreak of the Covid-19 pandemic, gender gaps in labor force participation, hiring rates, promotions and leadership roles have additionally widened, stalling careers, and jeopardizing financial security of women<sup>3</sup>.

These worrisome trends call for increased global efforts to promote **women’s economic empowerment** (see box) as a prerequisite for achieving gender equality. It is not only “**the right thing to do**” to realize human rights and dignity for all, and to contribute to achieving global development goals, such as the UN Sustainable Development Goals (SDGs); it is also “**the smart thing to do**” as gender diversity in the workplace presents an opportunity for economic growth and enhanced business performance<sup>4</sup>. Research points to increased benefits such as higher return on equity, employee engagement, reputation, and governance for companies with more women in top management and on boards<sup>5</sup>.

**Women’s economic empowerment** is defined as a process “whereby women and girls experience transformation in **power and agency**, as well as **economic advancement**”. “Power” can take different dimensions, ranging from individual capabilities and self-belief (“within”) to economic decision-making power within households and communities (“to”) to access to and control over assets (“over”) to the ability to organize with others to enhance economic activities and rights (“with”)<sup>1</sup>. Women’s economic empowerment is one step toward achieving gender equality.

Against this background, the G7 Development Finance Institutions’ (DFIs) launch of the 2X Challenge for Financing Women<sup>7</sup> in 2018 has presented a major commitment to mobilizing private sector investments for women to advance as entrepreneurs, business leaders, employees, and consumers in developing markets. DEG and OeEB, both members of the DFI Gender Finance Collaborative and 2X Challenge, have both increased their **gender-lens investing**

**Gender-lens investing** refers to private sector investment activities that provide women in developing markets with 1) improved **access** to and use of capital, including entrepreneurship; 2) **workplace equity**, referring to fairness for women in the workforce, including in leadership positions, and ensuring support for their workplace needs; and 3) **products and services** that enhance their economic participation<sup>6</sup>.

(see box) efforts to assess and strengthen their investment portfolio to meaningfully contribute to gender equality. So far, initiatives include the offering of tailor-made business support services or the provision of networks and contacts in the field of gender-lens investing to clients.

With a view to strengthening current efforts, including integrating gender into the institutions’ impact measurement, DEG and OeEB commissioned Syspons GmbH to conduct this **research study on the transformative impact of gender-lens investing**. Gender-lens investing is increasingly receiving international attention. Yet, empirical evidence on *how* private sector investment activities *actually* achieve their intended effects on women’s economic empowerment and gender equality is limited.

To this end, the study had three goals:

1. To better understand the **impact** of private sector investments on gender equality in developing markets, expanding DEG's and OeEB's knowledge base on their potential to contribute to **trans-formative change** (see box).
2. To develop **theories of change** as a basis for the institutions' future **strategy design** on gender-lens investing.
3. To lay the foundation for integrating gender into the two institutions' **impact measurement**.

**Gender-transformative change** is achieved by approaches that "address the causes of gender-based inequalities and work to transform harmful gender roles, norms, and power relations"<sup>8</sup>. In contrast to gender-blind (ignores), gender-aware (acknowledges), and gender-responsive (acknowledges and considers specific gender needs) approaches, gender transformation aims to tackle the root causes that perpetuate gender inequality, such as social structures and policies that are legitimized by prevailing social norms<sup>9</sup>.

## 1.1 Methodological Approach

**Note on terminology:** This study and its findings broadly address "**investors**", including DFIs, as "any person or entity committing capital with expectation of receiving financial returns"<sup>10</sup>. This may be achieved with different instruments, such as debt or equity finance. The term "**client**" refers to any person or entity with whom an investor has a contract to perform investment services. DEG's and OeEB's investment portfolios comprise four "**client types**": Financial institutions, funds, corporates, and project finance.

To meet the three study goals, Syspons' **methodological approach** proceeded as follows: At first, the study team conducted an in-depth **literature review** as well as **exploratory interviews** with experts in the field to assess the current state of empirical knowledge on gender-lens investing and its effects on women's economic empowerment and gender equality ("gender-lens investing in theory"). Furthermore, the investment **portfolio** of both DEG and OeEB was analyzed by applying the 2X Challenge criteria. Based on these insights, the study team developed a **theory of change** for both institutions, laying out theoretical hypotheses of how the two DFIs are currently and could in the future contribute to women's economic empowerment and gender equality (see chapter 4.1). Then, in three **case studies** with clients of DEG and OeEB, these hypotheses were assessed in an exploratory manner. In selecting the case studies, attention was paid to ensuring that the diversity of different client types (fund, financial institution, and corporate) as well as in organization's current efforts in promoting gender equality were re-

flected. To narrow the scope of analysis and generate in-depth insights, the case studies focused on the role of **women's organizational leadership** for women's economic empowerment. Building on the findings, the study team further refined the theory of change and developed **recommendations** on how DFIs and other investors can increase their contribution to gender equality in developing markets through gender-lens investing ("gender-lens investing in practice").

## 1.2 Study Limitations

Due to **scope and resource constraints**, this research study faced several **limitations** which should be considered in the interpretation of the findings of the following report. These include, inter alia:

- **The availability and generalizability of and extent to which academic and grey literature could be analyzed.** While a large body of research exists on women’s economic empowerment and gender equality, it was beyond the scope of the study to extensively review literature related to all relevant aspects. This affected the extent to which the study’s holistic understanding of women’s economic empowerment could be operationalized. Moreover, the transferability of empirical evidence to the work of DFIs and other investors proved limited. DFI publications and grey literature on potential transformative effects of gender-lens investing, in turn, are restricted to anecdotal evidence.
- **The low number and exploratory nature of case studies, which are not representative.** Only three case studies with DEG and/or OeEB clients could be conducted in the scope of the study to generate learnings on gender-lens investing in practice. In addition to the limited generalizability of findings, the level of insights was further limited by the fact that gender-lens investing efforts of both DEG and OeEB as well as clients are still in their build-up phase. Adopting an exploratory approach, the study team focused on generating insights into specific impact hypotheses on women’s leadership as one aspect of women’s economic empowerment, and on the potential role DFIs and other investors could play in the future to strengthen their clients’ efforts in this regard. These insights are, based on interviews with employees that were selected by the respective client, adding potential bias.
- **The limited investigation of intersectional effects of gender-lens investing beyond a focus on women.** It is noteworthy that the focus on “women” throughout the study risks reinforcing a binary view of gender and limits the ability to investigate intersectional effects of gender-lens investing (see *box*). Despite the study’s focus on gender-specific challenges and opportunities, its findings offer an entry point for further investigation of intersecting power dynamics and inequalities. They aim to contribute to further discussions on the integration of gender and intersectionality in gender-lens investing strategies, which 2X Challenge members, including DEG and OeEB, are currently exploring.

An **intersectional analysis** looks at the multiple factors that shape identities and affect individuals’ lives and experiences in an intersecting manner, including, inter alia, gender, race, class, age, to inform programs and policies that can address these differences<sup>11</sup>. Moving from one dominant social category such as gender to understanding how ascribed identities influence inequalities is considered key to enabling gender transformation.

## 1.3 Report Structure

This final study report presents the overall findings of the research study on the transformative impact of gender-lens investing. It is structured as follows:

- **Chapter 2** introduces the current state of empirical knowledge on the relationship between gender-lens investing and women's economic empowerment, constituting the theoretical foundation of the study ("gender-lens investing in theory").
- **Chapter 3** provides insights into the implementation of gender-lens investing through an analysis of DEG's and OeEB's current investment portfolio based on the 2X Challenge criteria as well as key findings from the three case studies ("gender-lens investing in practice").
- **Chapter 4** comprises the theory of change on gender-lens investing that was developed based on insights gained from all data collection methods, and key takeaways that can guide DFIs and other investors in strengthening their gender-lens investing efforts with a particular focus on women's leadership.

## 2 Gender-Lens Investing in Theory

*What evidence exists on the transformative effects of gender-lens investing on women's economic empowerment? How does it relate to other aspects gender equality? How are DFIs currently addressing gender equality?*

An extensive review of existing literature and exploratory interviews reveals that there is currently **no generalizable empirical evidence on the effects of gender-lens investing on women's economic empowerment** and other areas of influence relevant to women's empowerment. This is due to a lack of data and academic literature that is transferable to the work of DFIs and other investors. Publications by DFIs, in turn, focus mostly on the business case for gender-lens investing or present anecdotal examples to report on initiatives that are implemented to contribute to gender equality. *How* gender-lens investing activities achieve their intended impact on women's economic empowerment and gender equality is, however, less evident. This underlines the research gap that DEG's and OeEB's study aims to address by collecting evidence on the link between DFIs' and other investors' influence on women's economic empowerment and gender equality outcomes beyond a focus on the business case.

While existing literature does not provide for generalizable empirical evidence, its review allows for the development of **first insights and hypotheses** on how DFIs and other investors may impact women's economic empowerment through gender-lens investing. In the presentation of key lessons learned from the literature this study adopts a **holistic understanding** of women's economic empowerment, as defined in the introduction (*see box*). This holistic understanding underlines that the success of any intervention on women's economic empowerment depends on its contribution not only to the enhancement of women's financial situation, but also of social and political empowerment at individual, family, community, and institutional levels. Consequently, the interaction of women's economic empowerment with other aspects of gender equality needs to be considered. As a particular emphasis of the literature is placed on the interaction of women's economic empowerment with gender-based violence and harassment (GBVH), reproductive empowerment<sup>ii</sup> and sectoral and occupational segregation, amongst others, these aspects were taken up as important areas of influence in the following presentation of **key lessons** that can be drawn from the literature and expert interviews.

### 2.1 How to Make Women's Economic Empowerment Transformative

In unraveling the factors that enable interventions to unfold transformative effects on women's economic empowerment, academic literature points to the following **key lessons**:

**Embracing complexity:** Extensive research on women's economic empowerment has concluded that it is a complex and multi-layered process. Since outcomes are highly context-specific and depend on program design and implementation, interventions must go beyond a "one-size-fits-all" approach. Multi-country studies<sup>12</sup> shed light on the various factors that can influence women's economic empowerment directly and indirectly: These are linked to women's individual and collective experiences (including education, skills, access to decent work, care work, access to property and financial services, social protection) and structural conditions (including labor market structures, legal, regulatory and policy framework, gender norms). Moreover, studies demonstrate that an automatic "win-win" between wider development outcomes and gender equality cannot be assumed<sup>13</sup>.

**Focusing on Power and Agency:** In line with a holistic understanding of women's economic empowerment, economic opportunities do not lead to empowerment per se. Yet, most programs tend to primarily focus on income and access to opportunities<sup>14</sup>, with less consideration given to women's and girls' power and agency. Beyond a

<sup>ii</sup> In the study, we defined reproductive empowerment as including "women's ability to make decisions around fertility, express their sexual rights, and have access to a full range of reproductive health care services" (Gammage, S., Joshi, S., van der Meulen Rogers, Y., 2020. The Intersection of Women's Economic Empowerment and Reproductive Empowerment. *Feminist Economics*, 26(1), p.3. <https://doi.org/10.1080/13545701.2019.1674451>). The concept was further broadened to include access to support in caregiving and childcare.

narrow focus on economic opportunities, interventions must understand how socio-cultural contexts, including social norms and beliefs, influence women's capacity to participate in, command, and benefit from resources and opportunities to enhance women's voice, choice, and decision-making power<sup>15</sup>.

**Transforming Norms:** Attitudes, norms, and behaviors of women and men, which differ drastically by context, influence the outcome and impact of programming for women's economic empowerment. Consequently, interventions need to be norm-aware and -transformative to achieve transformative effects on gender equality, e.g., by overcoming stereotypes in job selection, and involving men and boys to address questions of masculinity<sup>16</sup>.

**Thinking Intersectional:** In addition to asking "what works" for women's economic empowerment, institutions must ask "for whom" and move beyond relying on assumptions of how heterogeneity affects program outcomes<sup>17</sup>. Too often, women are considered a homogeneous group, yet different sections of the population must overcome different discriminatory barriers (such as women of different ethnic backgrounds, with disabilities, of different age, with children). Here, intersectional perspectives on women's economic empowerment that take into account the interaction and overlapping of different forms of discrimination are crucial<sup>18</sup>.

**Building Commitment:** Effective programming for women's economic empowerment moves beyond a focus on individual women to address the responsibility and role played by men and institutions<sup>19</sup>. This means acknowledging that barriers to women's economic opportunities are not accidental and for them to overcome. Rather, they have been built and maintained by institutions and gender relations between men and women. Ownership, commitment, and active involvement of institutions and men in women's economic empowerment is therefore a prerequisite for transformation<sup>20</sup>.

**Strengthening Solidarity and Networks:** Women's economic empowerment capitalizes on relationships and collectivization<sup>21</sup>. Linking interventions to gender advocacy and movements has proven to make them more successful, e.g., by cooperating with women's rights organization and hiring staff with expertise in the field of women's empowerment and gender equality to work on women's economic empowerment initiatives<sup>22</sup>.

**Moving beyond counting Women:** Women's economic empowerment is a complex process that is difficult to measure. With a view to a holistic understanding of women's economic empowerment, there is a lack of comprehensive measurement and data, especially on changes in agency, norms, and attitudes<sup>23</sup>. While more work is needed to develop measures that can holistically assess women's economic empowerment in different local contexts, it is also important to continue assessing women's economic empowerment qualitatively.

These key lessons on factors that enable interventions to unfold transformative effects on women's economic empowerment also constitute the basis for this study's hypotheses development.

## 2.2 How to Think beyond Women's Economic Empowerment

Adding to the key elements that make interventions unfold transformative effects on women's economic empowerment, the current state of empirical knowledge allows for insights into the **interaction of women's economic empowerment with other impact areas** that need to be considered in the design of gender-lens investing measures:

**Ensuring safety:** Programming for women's economic empowerment can either increase or decrease GBV. The evidence is inconsistent. Any intervention aiming for holistic positive effects for the safety of women need to actively prevent and respond to GBVH. This may include a comprehensive consideration of social norms, creation of safe spaces, reporting and referral pathways<sup>24</sup>. For investors, guidance exists on incorporating the risk their investments are exposed to as a result of GBV into due diligence process<sup>25</sup>. Besides it being "the right thing" to do, evidence also

points to business benefits from reducing GBVH, including enhanced productivity and profitability due to improved working conditions, impacting, inter alia, employee well-being, motivation, and loyalty, and brand image<sup>26</sup>.

**Enabling reproductive and educational choices:** Employment and reproductive empowerment are closely linked. Whether women can take up economic opportunities and under which conditions is closely linked to their freedom to make reproductive choices<sup>27</sup>. Shared responsibility for care work between men and women, provision of high-quality care facilities as well as social protection should be promoted to holistically reach women’s economic empowerment outcomes<sup>28</sup>. In addition, reproductive empowerment (increasing availability and affordability of contraception, knowledge about it, and power and agency to access) needs to go hand in hand with building human capital through education and training<sup>29</sup>, a driver of women’s economic empowerment in itself. Together, these factors are key drivers to reach the demographic dividend, which refers to the boost in economic growth that can result from changes in a country’s population age structure<sup>iii</sup>.

**Bridging sectoral, occupational and pay gaps:** Sectoral and occupational segregation by gender is indicative of persisting discriminatory gender norms and structures<sup>30</sup>. Gendered segregation in unpaid and paid work, driven by gendered stereotypes as well as non-inclusive education and work environments (e.g., harassment of women in male-dominated fields, lack of childcare support), influence job preferences. Therefore, despite rising female labor force participation and education levels, segregation is still increasing. Women still prefer moving into professions that are more likely to be compatible with care responsibilities (and are hence female dominated), such as health, education, and public services<sup>31</sup>. Compared to traditionally male-dominated fields, including science, technology, engineering, and mathematics (STEM), they are overrepresented in more precarious work environments with lower pay, and limited opportunities for career advancement<sup>32</sup>. Holistic women’s economic empowerment consequently needs to improve the quality of jobs in female-dominated fields and contribute to transforming gender norms and structures that keep women out of certain fields and occupations (e.g., through role models, mentorship, encouraging men taking over care responsibilities, addressing harassment at bias in work environments, enabling flexible working hours also at high-level positions)<sup>33</sup>.

## 2.3 How DFIs Currently Think About the Effects of Gender-Lens Investing

While the academic literature sheds light on important aspects of women’s economic empowerment that gender-lens investing activities must consider, its link to DFIs and other investors and their impact in this regard remains understudied. Grey literature by and on DFIs’ work<sup>iv</sup> reveal the current state of the field:

**Investing in gender equality as a DFI:** In recent years, DFIs have made significant efforts **to mainstream gender** into their investment portfolios to increase impact on gender equality. Across DFIs, a gender-lens investing community has developed with the commitment to promote justice, equality, diversity, and inclusion (e.g. GenderSmart Investing<sup>34</sup>). While this prevailing motivation is progressive, the “business case” narrative for gender equality, which promotes the economic potential of women’s inclusion and empowerment, largely dominates DFI strategies. Concrete activities include the investment in women-owned companies, their inclusion in the value chain, investment in women-focused community projects or in financial institutions that aim to increase financial resources for women. Increasingly, DFIs also offer tailored technical assistance for their portfolio to mainstream gender equality within organizations.

<sup>iii</sup> In line with the study’s understanding of reproductive empowerment, a country’s working-age population grows larger relative to the young dependent population as fertility rates decrease. With more (female) people entering the labor force and fewer children to support, a country has a window of opportunity for rapid economic growth. For more information, see Bill & Melinda Gates Institute for Population and Reproductive Health at the John Hopkins Bloomberg School of Public Health: <https://demographicdividend.org/about-demographic-dividend/>

<sup>iv</sup> The review focused on overarching documents, and included DEG, OeEB, CDC, FMO, and IFC.

What is missing so far is comprehensive research that assesses *how* and *under which circumstances* these activities contribute to women’s economic empowerment and gender equality outcomes<sup>35</sup>. Anecdotal evidence suggests that effects include improved skills, professional advancement, job quality, job security, and consequently higher wages resulting ultimately in a better standard of living. Yet, to what extent gender-lens investing activities have transformative effects on gender equality beyond economic growth, and how impact of gender-lens investing can consequently be measured, requires further examination.

## 2.4 Guiding Hypotheses and Research Gaps

The current state of academic knowledge on women’s economic empowerment suggests that if gender-lens investing interventions take the above outlined key lessons (*see chapter 2.1 and 2.2*) into consideration, they should have their intended transformative impact on women’s economic empowerment and gender equality at large. To what extent such respective considerations are already implemented and hold true will be explored through a closer look at current gender-lens investing activities in practice.

# 3 Gender-Lens Investing in Practice

*What does gender-lens investing currently look like in practice? How can gender-lens investing activities from DFIs and other investors achieve their intended transformative impact on women’s economic empowerment and gender equality, and, in particular, on women’s leadership?*

Departing from the learnings that the current state of empirical knowledge on the relationship between gender-lens investing and women’s economic empowerment could provide, additional evidence on the link between DFIs’ and other investors’ potential influence on women’s economic empowerment and gender equality was collected. An analysis of DEG’s and OeEB’s current portfolio based on the 2X Challenge criteria as well as three case studies with clients of DEG and/or OeEB served to explore theoretical hypotheses and generate key findings that led to the development of the institutions’ theory of change (*see chapter 4.1*) and recommendations on how DFIs and other investors can increase their impact on gender equality in developing markets through gender-lens investing.

## 3.1 State of Gender-Lens Investing at DEG and OeEB: A 2X Challenge Portfolio Review

**The 2X Challenge portfolio review contributes four key insights to this study:**

1. It outlines to what extent the current international standard for gender-lens investing, the 2X Challenge, is fulfilled.
2. It identifies which aspects of women’s economic empowerment (according to the fulfillment of individual 2X criteria) are more often fulfilled than others, showing strengths and room for improvement within the portfolio.
3. It outlines central needs of clients, for which they consider the support of DEG and OeEB especially crucial.
4. It underlines the limitations of the 2X Challenge in measuring impact on gender equality.

Overall, the insights thereby provide guidance for the thematic focus and key research questions of the in-depth case study analysis.

### 3.1.1 Introduction to the 2X Challenge

The “2X Challenge: Financing for Women” is an initiative<sup>36</sup> established in 2018, calling for the G7 and other DFIs to join together and collectively mobilize capital to invest in “the world’s women” and advance gender equality. The “2X” thereby refers to the multiplier effect of investing in women as entrepreneurs, managers, employees, and consumers. To assess whether an investment is “2X aligned”, five 2X criteria and sub-criteria were developed based on existing international good practices (see figure 1 for 2X version 1.0). **Please note that these criteria have been updated in a new version 2.0 in June 2021, which is not included in the following analysis**<sup>37</sup>. An investment can be considered 2X aligned when at least one of the five 2X criteria, namely entrepreneurship, leadership, employment, consumption, or, for funds and financial institutions, investments through financial intermediaries, is fulfilled at the time of investment. While the 2X criteria claim not to be perfect, taking the 2X Challenge as a starting point to further refine these criteria and develop good practices for investing in women, they are currently considered a key international standard for gender-lens investing that DFIs such as DEG and OeEB follow.

Figure 1: The 2X Challenge Criteria (Version 1.0)<sup>37</sup>

Investments fulfill the 2X Challenge if they meet at least ONE of the five 2X criteria:

	2X Criteria	Sub-Criteria	Threshold <sup>4</sup>
Direct Criteria	1 Entrepreneurship	1A. Share of women ownership	51%
		1B. Business founded by a woman	Yes/No
	2 Leadership	2A. Share of women in senior management <sup>1</sup>	20%-30% <sup>2</sup>
		2B. Share of women on the Board or IC <sup>1</sup>	30%
3 Employment	3A. Share of women in the workforce <sup>1</sup>	30%-50% <sup>2</sup>	
	3B. One “quality” indicator <sup>5</sup> beyond compliance	Yes/No	
4 Consumption	4. Product or service specifically or disproportionately benefits women		Yes/No
Indirect	5 Investments through Financial Intermediaries <sup>3</sup>	On-Lending facilities: Percent of the DFI loan proceeds supporting businesses that meet direct criteria <sup>1</sup>	30%
		Funds: Percent of portfolio companies that meet the direct criteria <sup>3</sup>	30%

Group	Sector	Threshold
Low	Infrastructure	20%
	Power	
	Telecoms	
Mid	Financial Services	25%
	Manufacturing	
	Agribusiness & Food	
	Professional Services	
	Consumer Services	
High	Healthcare	30%
	Education	

Group	Sector	Threshold
Low	Infrastructure	30%
	Power	
	Telecoms	
Mid	Financial Services	40%
	Manufacturing – Heavy <sup>†</sup>	
	Agribusiness & Food	
	Professional Services	
High	Healthcare	50%
	Consumer Services	
	Education	

[1] Commitments to achieve targets in these categories also make investments eligible, including new commitments by existing investees.  
 [2] Thresholds vary depending on the sector of the investment (see box). Investees in unique sectors or geographies may require case-by-case consideration.  
 [3] Investments through financial intermediaries may also be eligible if the financial intermediary meets any of the direct criteria. For funds, this requires either that the fund manager itself meets one of the categories or that the fund itself specifically targets women’s economic empowerment.  
 [4] Investees are not eligible if they meet only the legal minimum requirements.  
 [5] One policy or program—beyond those required by local law or compliance—addressing barriers to women’s quality employment, with evidence of implementation or a commitment to implement. A quality indicator must apply to all groups which contribute towards meeting the threshold.

Please note that a new version 2.0 of the 2X Challenge criteria has been released in June 2021.

### 3.1.2 Note on Portfolio Review Methodology

Applying the 2X Challenge criteria, a **survey tool** was developed by DEG and OeEB to assess the two DFIs’ investment portfolio’s current positioning in terms of gender-lens investing. Additional questions based on theoretical

<sup>37</sup> Since the analysis of the 2X Survey data was completed in May 2021, the entire evaluation and its findings refer to the 2018-2020 version of the 2X criteria. For the in June 2021 updated version of the 2X criteria, please refer to: 2X Challenge, 2021. *Guide to the 2X Criteria – Version 2.0*. [https://static1.squarespace.com/static/5b180402c3c16a6fe0001e45/t/60bfe7c22d1a9a22ea0b775e/1623189445146/2XReferenceGuide\\_Designed\\_June+2021+UPDATE\\_final.pdf](https://static1.squarespace.com/static/5b180402c3c16a6fe0001e45/t/60bfe7c22d1a9a22ea0b775e/1623189445146/2XReferenceGuide_Designed_June+2021+UPDATE_final.pdf). Changes since this study’s 2X portfolio analysis was conducted include: The threshold for criterion 2A (share of women in senior management) was set at 30% for all sectors. Furthermore, to fulfill the 2X Challenge, funds and financial institutions lending to businesses were determined to meet at least the indirect main criterion 5 (investments through financial intermediaries) and one of the direct main criteria 1-4. As opposed to financial institutions lending to businesses, financial institutions lending to individual women must now meet main criterion 4 (consumption) and at least one of the other direct main criteria 1-3 to be 2X aligned.

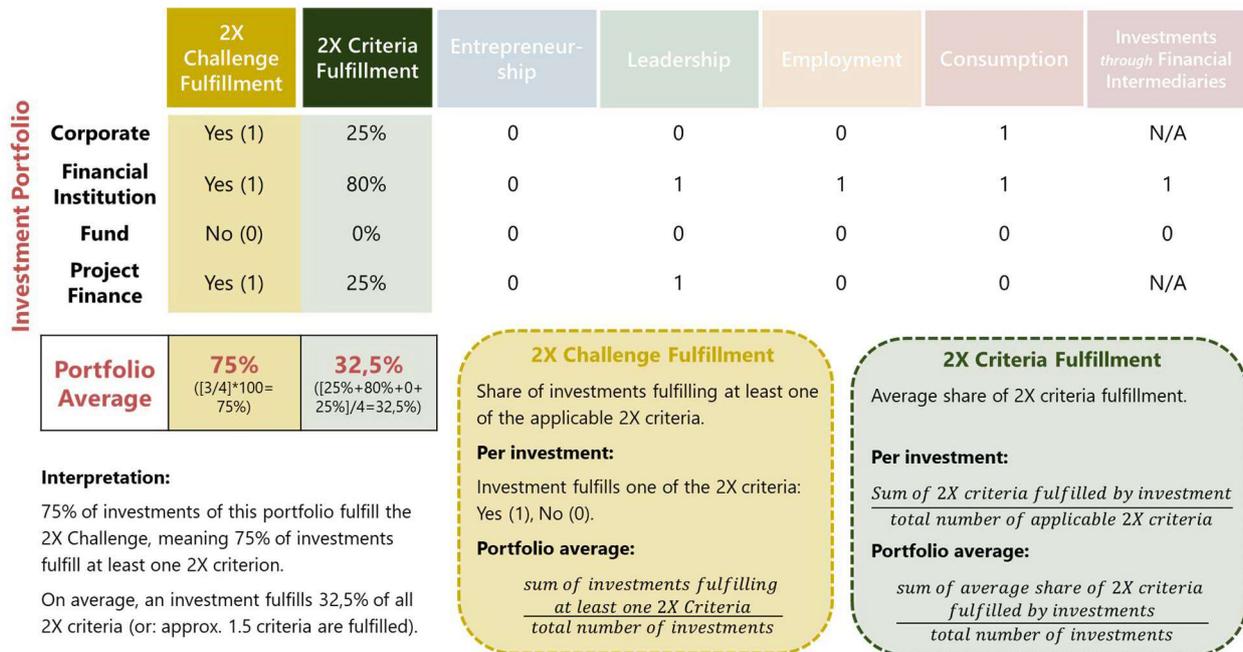
insights were also integrated to better understand where clients currently go beyond international standards, and where support from DEG and OeEB would be desirable to scale efforts and impact on women’s economic empowerment and gender equality.

The survey was sent out to all DEG and OeEB clients. In total, DEG and OeEB received **181 survey responses** (132 of DEG, 49 of OeEB) that were analyzed. It is assumed that those clients who see gender equality as a priority themselves were more likely to respond (“selection bias”), thereby reducing the representativeness of the sample. To provide detailed insights on the strengths and potential for improvement of the common investment portfolio, the study team assessed the portfolio’s responses based on **two levels of alignment**:

1. **2X Challenge fulfillment:** The share of investments fulfilling at least one of the above described 2X criteria.
2. **2X Criteria fulfillment:** The average share of fulfilled 2X criteria per DFI investment.

The following figure depicts how the two levels are calculated and to be interpreted based on an example.

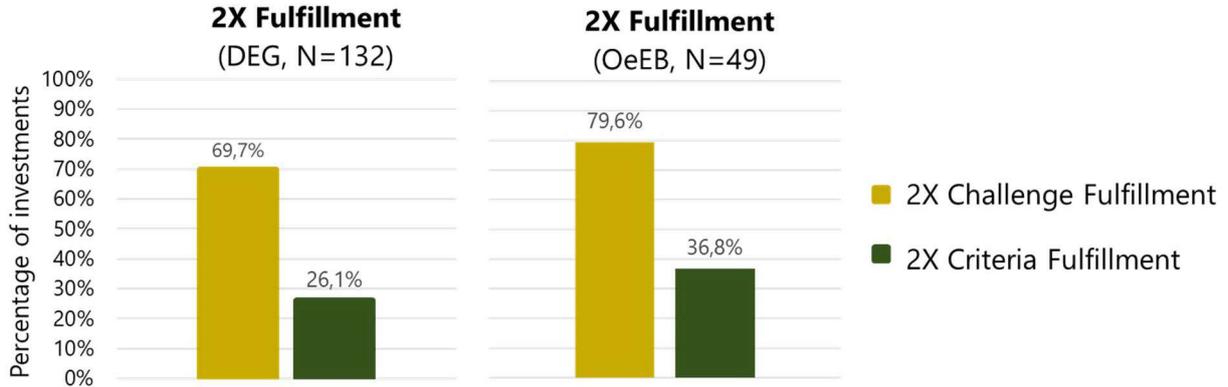
**Figure 2: Example of 2X Challenge and 2X Criteria Fulfillment Assessment**



### 3.1.3 Results of the 2X Challenge Portfolio Review

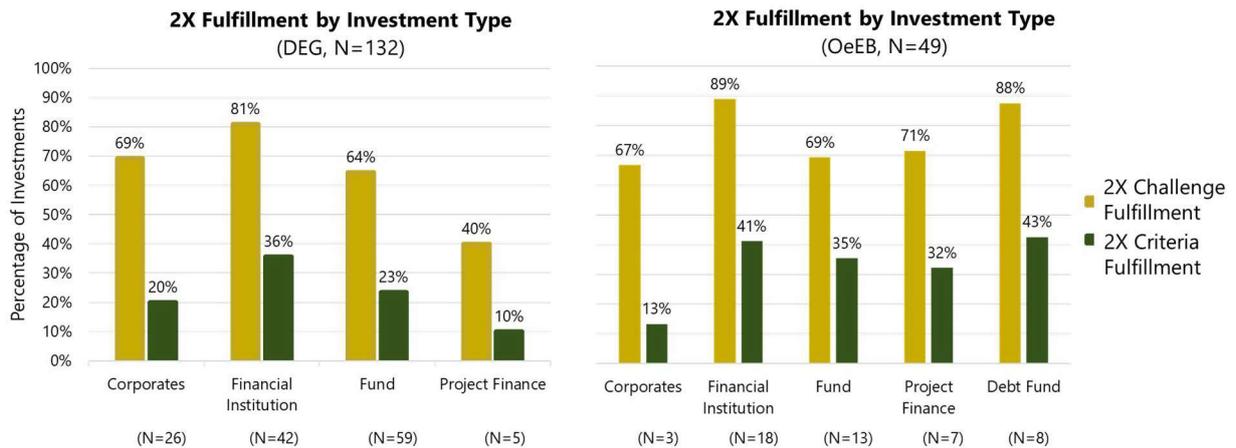
In general, the 2X Challenge portfolio review revealed that **a majority of the two DFIs’ investments** which took part in the survey **fulfill the 2X Challenge**, thereby adhering to current international standards in the field of gender-lens investing. As *graph 1* shows, 69,7% of DEG’s and 79,6% of OeEB’s investments met at least one of the 2X criteria at the time of request.

Graph 1: Overall Fulfillment of 2X Challenge and 2X Criteria



With a share of above 80%, the investment type that performed particularly well on 2X alignment for both DEB (81%) and OeEB (89%) was **financial institution**, as depicted in *graph 2*. In comparison, project finance and funds for DEG fulfilled the 2XC Challenge only to 40% and to 64% respectively. For OeEB, the types of investments that performed less well on 2X Challenge fulfillment are corporates (67%) and funds (69%).

Graph 2: Overall Fulfillment of 2X Challenge and 2X Criteria by Investment Type

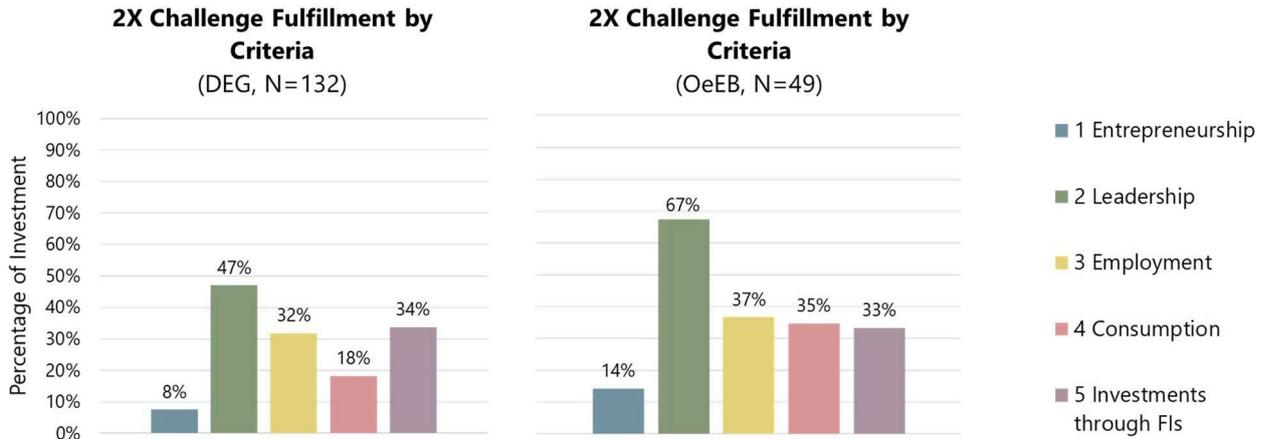


In this graph and in the following graphs, the investment type “fund” is further differentiated into equity fund (“fund”) and debt fund (“debt fund”).

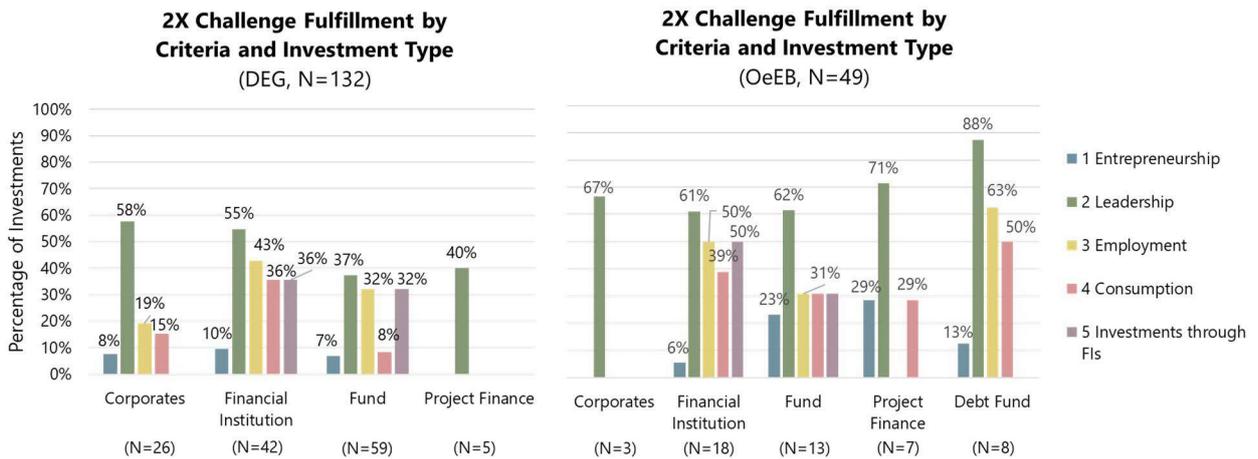
A closer look at the 2X Criteria fulfillment score in *graphs 1 and 2* reveals that while a majority of the two DFIs’ investments are 2X aligned, there is potential for scaling efforts on gender equality: **Of the five 2X criteria, the DEG and OeEB portfolio currently fulfills approximately 1.5 criteria on average.** While this demonstrates that some investments, in particular financial institutions, already go beyond the basic requirement of meeting at least one 2X criterion, it invites thinking about whether more ambitious targets could be set to scale the impact of gender-lens investing in multiple dimensions of women’s economic empowerment.

In this regard, the portfolio assessment took a closer look at those 2X criteria and sub-criteria that were more easily met by the portfolio than others, identifying current strengths and gaps within the portfolio (*see graph 3 and 4*).

Graph 3: Fulfillment of the 2X Criteria

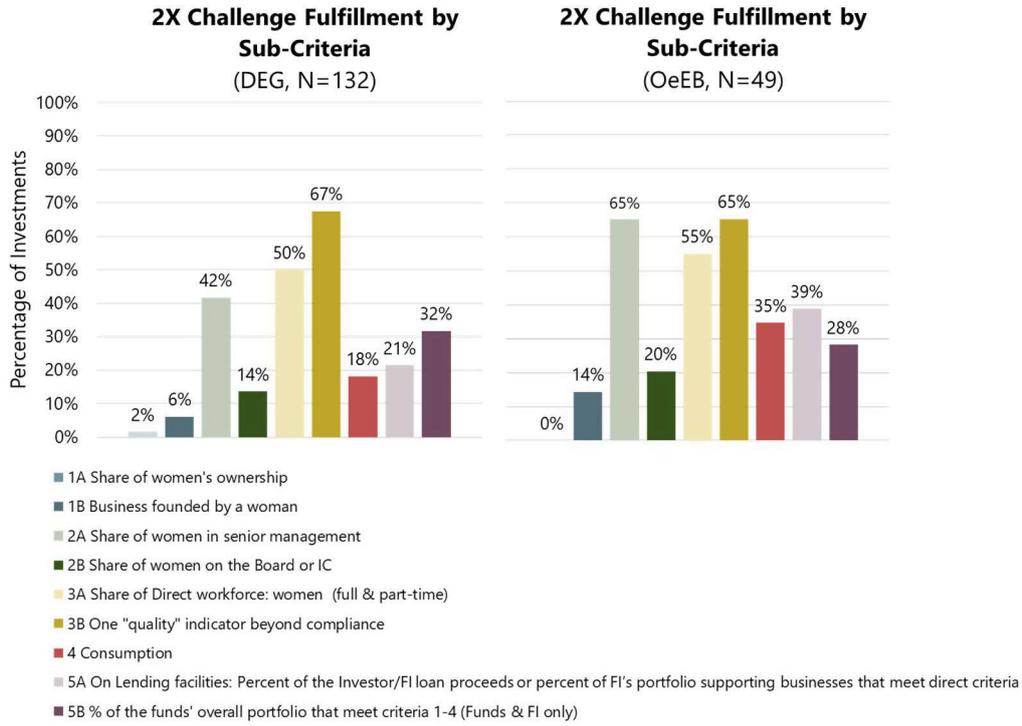


Graph 4: Fulfillment of the 2X Challenge by Criteria and Investment Type



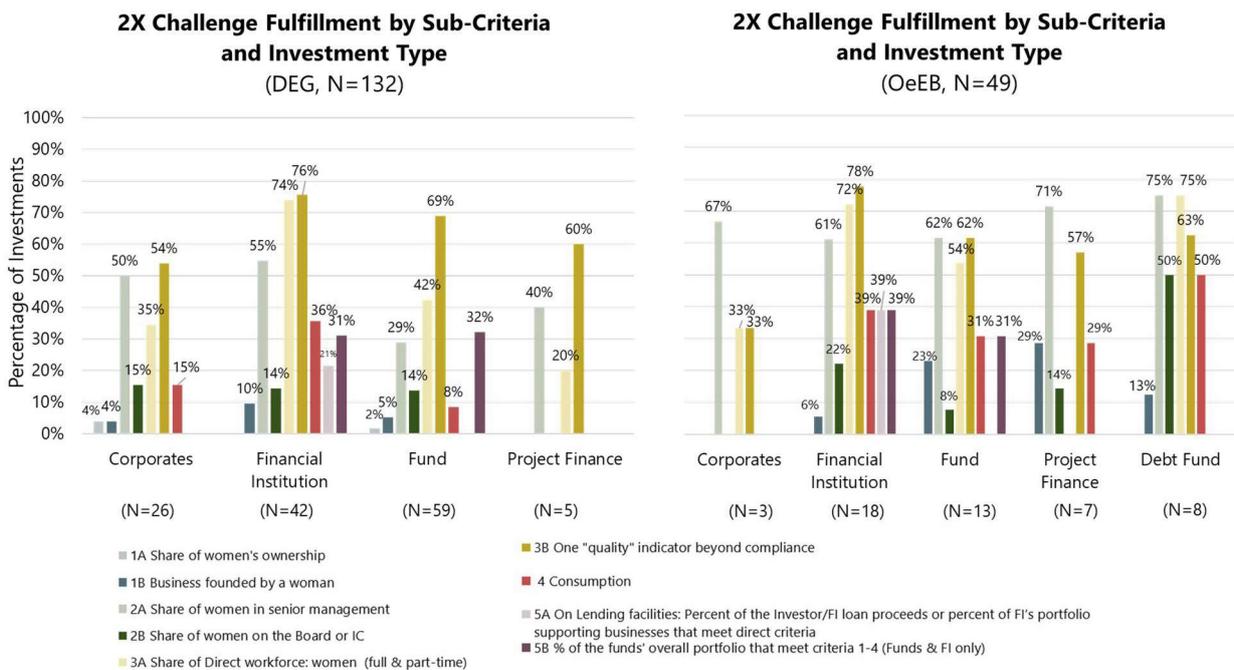
As graph 3 and 4 reveal, **DEG's and OeEB's portfolios perform particularly well on the 2X criterion 2, namely "leadership"**. This is due to sub-criterion 2A, a share of women in senior management of 20-30% (see graph 5-6), being met by more than 50% of 2X aligned DEG and OeEB investments. The fulfillment of sub-criterion 2B, however, which measures the proportion of women on the board/IC, is comparatively low among all investment types. Consequently, it can be concluded that the fulfillment of the leadership criterion plays an important role in the fulfillment of DEG's and OeEB's portfolio of the 2X Challenge, and, more specifically, the portfolio's scoring on the share of women in senior management.

Graph 5: 2X Challenge Fulfillment by Sub-Criteria



The following graph 6 further breaks down the fulfillment of sub-criteria by investment type:

Graph 6: 2X Challenge Fulfillment by Sub-Criteria and Investment Type



Further, it is noticeable that sub-criteria 3A (share of women in the workforce) and 3B (one “quality” indicator beyond compliance) each show at least equally high rates of fulfillment as 2A (share of women in senior management) among most investment types (see *graph 5-6*). These sub-criteria indicate that a large share of clients have more than 50% of women among part-time and full-time employees (3A) or possess a policy or program beyond those required by local law and minimum E&S standards that addresses barriers to women’s quality employment (3B). **However, clients seem to have difficulties meeting both 3A and 3B to align with the main 2X criterion 3 “employment”, explaining the alignment with the 2X main criterion’s “employment” ranking behind “leadership” (see *graph 3*).**

**There is potential to increase the share of investments with female ownership (1A) and businesses founded by a woman (1B) in the acquisition process.** As depicted in *graph 3*, 8% of DEG and 14% of OeEB2X aligned investments currently comply with 2x criterion 1 “entrepreneurship”. Taking a closer look at the sub-criteria, only two clients met criterion 1A, the share of women ownership, and fifteen clients adhered to criterion 1B, business founded by a woman (see *graph 5-6*).

Finally, based on an additional question in the 2X survey, clients indicated what kind of support DEG and OeEB could provide to assist investments in scaling their impact on women’s economic empowerment and gender equality, and hence in meeting the 2X criteria. In general, clients’ responses indicated a great interest and need for more DFI support. In this regard, different roles and areas of work were identified for DEG and OeEB as particularly important, including financial support for gender-related projects, strengthening clients’ and networks, and providing expertise and educational opportunities. **Most requests related to the provision of advice and the arrangement of networking opportunities and mentoring programs by DFIs.**

In summary, the 2X portfolio consequently shows that even though most investments of DEG and OeEB are **2X aligned**, there remains a lot of room and willingness from clients to strengthen women’s economic empowerment. The identified gaps or weaknesses in the portfolio (e.g., share of female owners) provide guidance regarding aspects in which client clusters should receive particular attention by DFIs.

However, the review also points to key questions that remain unanswered and shall guide the in-depth case study analysis: **It puts forward the question to what extent 2X alignment is a meaningful indicator of impact on women’s economic empowerment.** For instance, is the high fulfillment of the leadership criterion reflective of the investments’ impact on women’s economic empowerment? In addition, the consultation of clients outlined important support needs. But the question remains, which pathways are particularly effective for DFIs to strengthen their clients’ impact on women’s economic empowerment.

## 3.2 Learnings from Three Case Studies on Promoting Women’s Leadership as One Key Area of Women’s Economic Empowerment

Departing from the numerical insights the portfolio analysis provided based on 2X standards, **three exploratory case studies** were conducted with **DEG and/or OeEB clients** to better understand the relationship between current gender-lens investing measures and observable effects on women’s economic empowerment and gender equality. The case studies had three distinct objectives:

1. Explore DEG’s and OeEB’s theoretical hypotheses on the transformative impact of gender-lens investing as defined in a preliminary theory of change(see chapter 4.1);
2. Lay the basis for the two DFIs future impact measurement;
3. Determine the role and ways in which DEG and OeEB can strengthen their impact on women’s economic empowerment and gender equality, including at client level.

To narrow the thematic scope of the analysis, the three exploratory case studies focused on one key area of women’s economic empowerment, namely **women’s leadership**<sup>vi</sup>. The interest in gaining in-depth insights into this aspect is based on previous study insights: First, in line with a holistic understanding of women’s economic empowerment, there is a need to understand not only how women’s access to economic opportunities, but also to enhanced power and agency can be promoted within private sector organizations. Second, the 2X portfolio analysis revealed that DEG and OeEB investments tend to perform particularly well in the 2X leadership category. It is known that tackling gender inequalities in leadership can help reduce related inequalities, such as the **gender pay gap** and gender differences in **wealth and economic security**<sup>38</sup>. Having more women in top management and on boards is also associated with increased benefits such as higher return on equity, employee engagement, reputation, and improved governance<sup>39</sup>. Yet, the question remains how women’s leadership actually relates to transformative impacts on women’s economic empowerment.

This question is not only relevant to the field of development finance and gender-lens investing: Women’s leadership is often internationally regarded as an indicator of women’s economic empowerment. For instance, the UN Sustainable Development Goals (SDGs), recognizes the importance of enhancing **women’s full and effective participation and equal opportunities for leadership** (SDG 5.5) to increase gender equality globally<sup>40</sup>. As a key indicator for economic participation the SDGs measure “the proportion of women in managerial positions”.

**Against this background, the case studies with three DEG and/or OeEB clients (see table 1) sought to gain insights into the factors and pre-conditions that enhance women’s career advancement and leadership at the clients’ organizational level and the transformative effects that women’s leadership can unfold on women’s economic empowerment.** Based on the findings, a set of recommendations could be developed to guide DFIs and other investors regarding measures that should be encouraged in the process of gender-lens investing in order to enable transformative effects for women’s leadership and economic empowerment.

<sup>vi</sup> Women’s leadership is the main aspect of women’s economic empowerment that was explored in three case studies. For this purpose, women’s leadership was broadly defined as: “Persons identifying as women taking up leadership positions of real power in clients’/investees’ workplaces, e.g., on Boards/ICs or in senior management.” Please note that this is different referring to women’s leadership as a gender-specific leadership style.

**Table 1: Case Studies**

TBC Bank	Kandeo Fund	UMKA
<p>TBC Bank<sup>41</sup> is the leading universal banking group in Georgia. Founded in 1992. It serves approximately 2.6 million customers across Georgia. With a share of approximately 70% of almost 8.000 employees, TBC has a female-dominated (and young) workforce. To strengthen its already strong internal work culture, TBC is currently undergoing a process to further incorporate gender equality at an organizational level.</p> <p>The case study assisted in gathering additional knowledge on how empowering work environments may be formalized and further promoted.</p>	<p>Kandeo Fund<sup>42</sup> is an asset manager focused on providing financial services to people and small and medium-sized enterprises (SMEs) that are under-served by traditional financial systems in Colombia, Mexico, and Peru. Founded in 2010, Kandeo currently operates two private equity and one debt fund. Investors include pension funds, fund of funds, DFIs, family offices, investment banks, and endowments. Kandeo is particularly committed to promoting gender equality and tracks and successfully enhances female representation at all levels of its portfolio companies.</p> <p>The case study focus was on investigating the factors that enabled these achievements.</p>	<p>UMKA<sup>43</sup> is a cardboard factory located in the suburbs of the Serbian capital Belgrade. It is part of the Kappa Star Group. Founded in 1939, it has a longstanding tradition in the traditionally male-dominated manufacturing industry. In contrast to overall representation at the factory, a disproportionately high share of women is employed at managerial level. Following a growth in production and hence employment, UMKA is currently formalizing its social impact commitment.</p> <p>The case study focused on how UMKA can establish an increasingly gender-responsive work environment.</p>

### 3.2.1 Key Findings on Women’s Leadership from the Case Studies

Based on the case studies, **three key findings** regarding the relationship between women’s leadership, transformative effects on women’s empowerment and gender equality and the role of DFIs and other investors as well as gender-lens investing could be identified:

1. **Women’s leadership can have positive effects on women’s economic empowerment.** All three cases confirmed hypotheses from the academic literature: Female leaders ensure representation of women and diversify perspectives in decision-making, act as role models, break stereotypes, and often provide guidance for other women who want to advance in their careers<sup>44</sup>.
2. **However, the case studies also showed that women’s leadership is not per se an indicator of women’s economic empowerment.** Four action areas were identified (*see below*), in which the pre-conditions for women’s leadership need to be laid on organizational level. Depending on the type of measures pursued to enable women’s leadership, the transformative effects of women’s leadership differ. The case studies provide detailed insights into the type of measures that ensure women’s representation (as the basis for women’s leadership), that create an environment of active empowerment (that counter gender-specific barriers), or that contribute to transforming unequal gender relations (that change norms and structures).
3. **Gender-lens investing can have direct effects on women’s leadership and enable transformative impact on women’s empowerment and gender equality.** All case studies confirmed that DFIs and other investors can play a key role in enabling transformative effects on women’s empowerment by being a role model, providing technical assistance, setting minimum requirements, and measuring impact on gender equality as well as through their access to networks. However, the transformative potential greatly depends on the form of measures that are promoted at the respective client’s organizational level through gender-lens investing. Based on the types of measures (*see above key finding 2*), the transformative effects differ, in that either representation, empowerment or gender transformation are promoted.

The **four key action areas**, in which the pre-conditions for transformative women’s leadership are laid, are presented in the following chapters. These are:

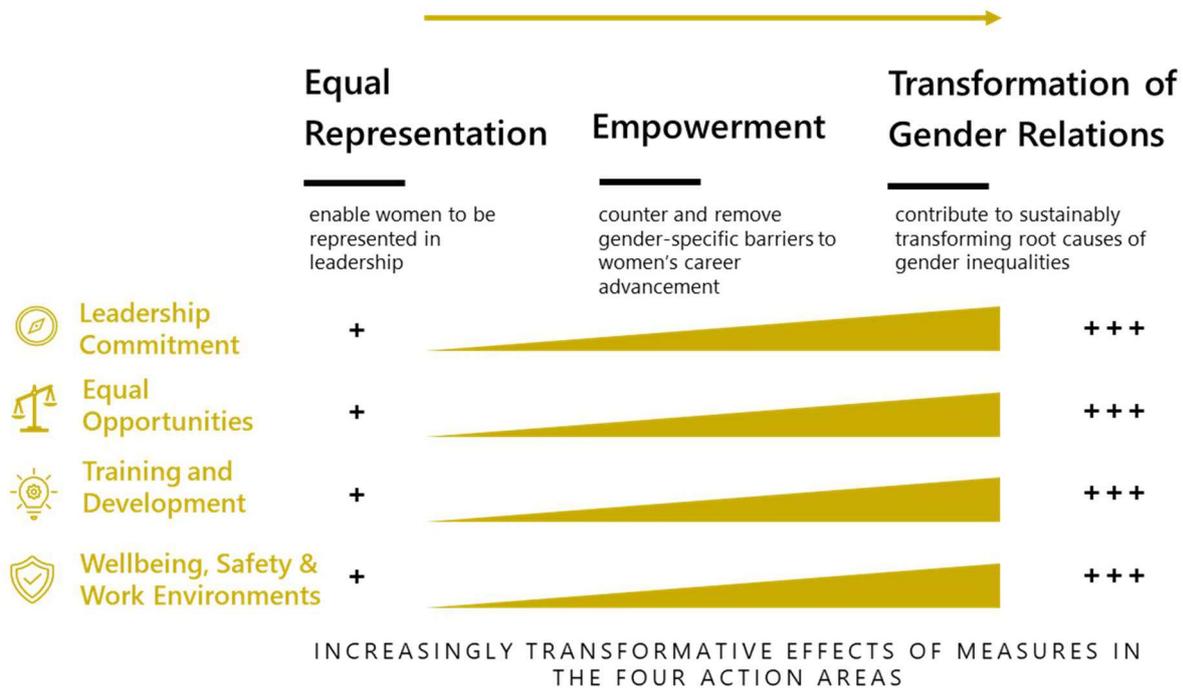
1. **Leadership Commitment;**
2. **Equal Work Opportunities;**
3. **Training and Development;**
4. **Wellbeing, Safety and Work Environments.**

As outlined above, measures in each of these key areas were found to enable women’s leadership. However, they differ in terms of their transformative effects on women’s economic empowerment and gender equality (see figure 3). They can be:

- (1) **Measures that enable equal representation:** ensure access for women to leadership positions, meaning that there the basic pre-conditions for women to be represented in leadership positions without discrimination are met
- (2) **Measures of empowerment:** go beyond representation and recognize that access needs to be accompanied by specific gender-responsive actions and commitment to remove workplace barriers for women.
- (3) **Measures that transform gender relations:** actively tackle the structural root causes that perpetuate gender inequality for sustainable change, e.g., by focusing on norms change.

These measures are not mutually exclusive but build on each other, since measures of empowerment and transformation will have little effect without measures for equal representation laying the foundation.

Figure 3: Structure of Findings



### 3.2.2 Leadership Commitment

In all three case studies, leadership commitment to gender equality proved central in promoting women's leadership. The findings showed that **buy-in and support "from the top"** influence individual and organizational behavior and efforts that promote women's leadership as well as work culture and policies. Across participating case study organizations, female employees reported that an open commitment to gender equality from leadership was a key determinant for them to pursue a career in the respective company and to be successful in their careers. They identified a variety of effective actions of leadership commitment that positively impact opportunities for women and addressed structural inequalities within their organization. They also outlined persisting gaps to gender equality, where a stronger commitment from leadership would be necessary. These case study findings strongly resonate with academic literature, which emphasizes the need to build commitment of institutions and men in transforming the structural barriers that perpetuate inequality, including harmful gender norms and behavior in order to enable women's economic empowerment<sup>45</sup>.

Overall, within the action area of leadership commitment, the study team identified key measures that can promote women's leadership and women's economic empowerment. These measures differ in terms of their effect on gender equality. Elementary measures were found to lay the foundation for the representation of women. In addition, gender-responsive and transformative measures of leadership commitment could be identified that contribute to empowerment, and drive the active transformation of gender norms:

**Equal representation:** An **open, consistent commitment** to equality and diversity in leadership, as well as its communication internally, is a key enabling factor for representation of women in leadership. Learnings from case studies demonstrate that the mere commitment "from the top" builds the foundation for an inclusive workplace culture that attracts and motivates female talent. In two out of three case studies, the empowering work environment that female employees experienced was traced back to individual founders and leaders, who instilled values of gender equality from the top. They ascribed the access of women to leadership positions in male-dominated fields, e.g., becoming head of risk management in a financial institution, to the core values of equality and respect that were linked to the company's leadership commitment. At Kandeo, for instance, female employees emphasized that their CEO's great commitment to gender equality attracted them to work at the fund and created opportunities for women to take on leadership positions. Kandeo's CEO describes his own role: "I am a policeman and a cheerleader."

**Empowerment:** In the action area of leadership commitment, beyond a mere commitment to women's leadership, measures can be put in place to actively counter barriers to women's leadership in a gender-responsive manner. To this end, case studies underlined the relevance of **institutionalizing leadership commitment**, through organizational policies, programs, and a public commitment. Especially in growing organizations, interviewees emphasized that this is central to ensure sustainable, empowering effects of leadership commitment. For instance, in two of three case studies, the signing and introduction of the UN Women's Empowerment Principles<sup>46</sup> (WEP) was considered a critical measure. The WEP offer internationally recognized guidance on how women's empowerment and gender equality can be promoted in the workplace, and in partner and community engagement.

One case study offered an especially good practice of institutionalizing leadership commitment, in that beyond the signing of the WEP an organization-wide gender policy and action plan was developed (see good practice example). The importance of developing clear strategies, assigning responsibilities and resources to policies and action plans was also emphasized in the other two case studies. As one HR employee put it: “[Structures and policies] need to be introduced from the top. There needs to be established support, and explanations on how the work can be achieved”. In line with international standards and the academic literature on women’s economic empowerment the study team found that respective policies and structures should be based on gender-specific data on the organization and its context, recognizing that women’s economic empowerment closely interacts with contextual aspects of gender equality. In addition, policies and programs should be developed and implemented in a participatory manner.

**Good practice:** TBC Bank already has a wide variety of gender-responsive policies and structures in place (e.g., anti-discrimination policies). Beyond these, the bank conducted a comprehensive assessment of its performance against the WEP principles. Based on the results the bank is further reinforcing an explicit gender policy and gender action plan.

**Transformation:** Finally, measures of leadership commitment can enable women’s leadership in a way that contributes to the transformation of gender relations and counters structural inequalities. The findings highlighted that **publicly asserted and lived commitment to gender equality** can break stereotypes and holds the potential for norms change. According to interviewees, the public positioning of male and female company leaders as advocates for gender equality has in many cases caused behavioral change of cooperation partners and clients, or at least made them question own stereotypical assumptions. It provides role models for women pursuing leadership positions and for men to be a good ally. In all three case studies, female employees emphasized that seeing and being supported by female leaders in their organization changed their perspective on their own opportunities. In addition, in two out of three case studies, employees report that their leadership confronted sexist or discriminatory behavior in meetings with partners and clients, making further collaboration contingent on an apology and a respectful work environment.

**Good practice:** At Kandeo, employees experienced that some management teams of portfolio companies were slightly reluctant to accept a female head of equity as a counterpart in the beginning. Kandeo actively pushed back on such occasions, making the collaboration contingent on a respectful cooperation free of discrimination. Kandeo observed that such negative stereotypes often vanished during the cooperation and that partners often changed their perspectives.

Furthermore, building on the institutionalization of internal leadership commitments, the case studies confirmed the need to actively **involve and invest core work time and resources of organizational leaders** to realize transformative effects. Across organizations, it was observed that both internally and externally often a gap remains when it comes to leaders having time and resources available to systematically promote gender equality, e.g., by offer assistance at management and board level and in the development of internal structures that can promote women’s leadership. To this end, it is crucial that leaders have an understanding of or consult **expertise on gender equality** issues. Transformative measures would consequently entail mandatory trainings for leaders on gender equality, making gender expertise a requirement in management positions or active collaboration of organizational leadership with gender expertise and advocates. As underlined by academic literature, the active involvement of leaders in advocacy for gender equality and strengthening solidarity and networks is an effective means to foster transformation on women’s economic empowerment<sup>47</sup>.

### 3.2.3 Equal Opportunities and Non-Discrimination in the Workplace

A second action area to enable women's leadership and transformative effects on women's economic empowerment relates to the creation of equal opportunities and non-discrimination in the workplace. In all three case studies, an active investment in creating **diverse, inclusive work environments** that treat women and other previously disadvantaged groups equally was identified as a pre-condition for individual's empowerment and career advancement. While freedom from discrimination is a fundamental human right, not only interviewees but also global studies emphasize the need to increase efforts in its realization: Most recently, the Covid-19 pandemic laid bare how women across the world disproportionately suffer from job and income losses due to their overrepresentation in the hardest-hit, often precarious sectors, as well as their double-burden in balancing care and professional responsibilities<sup>48</sup>. The case studies highlight different actions with transformative potential for women's leadership and empowerment, including the removal of barriers to enhanced diversity in hiring and promotion practices. In line with literature findings, practical experiences of organizations also confirmed that more gender-balanced workforces and leadership promote governance, employee engagement, reputation, as well as business performance<sup>49</sup>.

The cases of UMKA, Kandeo, and TBC Bank reveal important lessons on good practices regarding measures that effectively create more equal workplace opportunities and counter the effects of the Covid-19 pandemic. Again, identified measures within the action area of equal opportunities and non-discrimination in the workplace can be clustered according to their different transformative potential for women's leadership and economic empowerment:

**Equal Representation:** According to the case studies, a first step towards ensuring equal opportunities as a prerequisite for women's leadership is **recognition**. This means that organizations need to embrace the importance of attracting, developing, and retaining a diverse employee base. As interviewed employees experienced, tapping into diverse talent pools enriches teams by bringing in different perspectives, making work environments more creative and productive. Moreover, it was agreed that ensuring non-discrimination should be a core value to be respected by each and everyone within an organization. However, as case studies revealed, not only explicit but also implicit forms of discrimination can create barriers to women's career advancement, such as unconscious preferences for hiring men into certain sectors and occupations. To this end, effective measures that enable more equal representation within organizations should, according to employees, ensure non-discrimination in hiring and promotion processes for all positions. Transparency is one aspect that can remove barriers to women's career advancement by reducing room for gender-specific assumptions.

***Good practice:** At UMKA, women considered it important to have the same opportunities to access jobs in production or sales as men, even though the more difficult working conditions are deemed inappropriate for them. Study participants identified transparent HR and promotion processes, e.g., through clear key performance indicators and qualification criteria, as effective measures in promoting women's representation and access to leadership positions in previously male-dominated fields.*

**Empowerment:** Beyond enabling access to positions, the case studies confirmed that the development and implementation of **anti-discrimination policies** are key to actively countering structural barriers to equal opportunities. To bridge persisting gaps, such as in terms of women's opportunities in certain sectors and with regards to ensuring equal pay, policies need to be accompanied by a **systematic approach** that collects data, monitors, and steers implementation results. On the one hand, interviewees highlighted that transparent hiring procedures and career pathways, anti-discrimination, and equal remuneration policies are incremental in promoting equal treatment and creating empowering work environments. On the other hand, it was also emphasized that reaching desired effects on women's leadership and empowerment requires measures that actively strengthen opportunities for women. These may include specific internship and mentorship programs that can enhance diversity in certain sectors where women remain underrepresented. Two out of three case studies actively recruit and develop female talent in male-dominated field, e.g., in IT or finance, to enhance diversity and women's opportunities.

**Transformation:** Based on the evidence the case studies provided, the study team together with interviewees identified one powerful measure that holds the potential for driving transformative change for women’s leadership through equal workplace opportunities: To counter implicit gender biases in hiring and promotion processes, the mandatory participation of leaders and HR professionals in **gender bias trainings** is key. This has been identified a gap in all case studies, where employees from different cultural contexts emphasized that women are more likely to hold back or are under more pressure to prove themselves in hiring and promotion processes. These and other gender biases and stereotypes that influence HR processes can be revealed and tackled in respective trainings.

**Good practice:** To encourage a more inclusive hiring and promotion process, TBC Bank is currently working on providing gender focused trainings to its employees. As international good practices reveal, organizations can also develop an internal pipeline for high potential female leaders to be considered in promotion decisions.

### 3.2.4 Wellbeing, Safety and Empowering Work Environments

The case studies revealed that whether leadership commitment and equal opportunities in HR processes can unfold their intended effects on women’s leadership and economic empowerment also depends on a third action area: The creation of a **work environment that is empowering and cares for the wellbeing and safety** of its employees. As literature, but also personal insights of interviewees revealed, women’s preferences for taking up economic opportunities depend on several factors, including their education and training, care responsibilities, and gender stereotypes faced in personal and professional spheres, including safety concerns related to GBVH. While these aspects are highly context-specific, and depend on the interaction with individual, family, organizational, and societal levels, work environments matter. In promoting women’s employment and career advancement, all case studies demonstrated that the support received from organization had a crucial influence on women’s economic opportunities.

Within the action area of promoting wellbeing, safety, and empowering work environments for transformative effects on women’s leadership and economic empowerment, the following measures stood out as supporting equal representation, empowerment of women and the transformation of gender norms:

**Equal representation:** In all three case studies, a main inhibitor to strengthening women’s career advancement was considered to relate to individuals’ limited awareness of the societal and gender norms that affect women’s opportunities. A powerful measure in creating the basis for an enabling work environment is hence the building of a **common understanding of gender-specific barriers** to equal representation. For instance, interviewed female employees in one case study valued the understanding of colleagues when it comes to family commitments: *“That managers always respond to their kids’ phone calls is an important signal to everyone in the company”*. In raising awareness, the consideration of care responsibilities and GBVH, and the promotion of allyship as well as role modeling in their response, were repeatedly mentioned as contributing to an inclusive work culture that allows women to thrive professionally. One case study also showed that such measures are equally important in organizations where women are already well represented in leadership, since this may conceal the barriers that continue to persist for other women, e.g., of younger age, lower socioeconomic status, or color.

**Empowerment:** To promote women’s leadership and economic empowerment through enabling work environments, gender-responsive actions to remove gendered workplace barriers are needed beyond raising awareness. As the key challenge for women to take up leadership positions across organizations, interviewees referred to the difficulty of balancing personal and professional lives. Intensified by Covid-19 restrictions, women’s ability to take on full-time and leadership positions is still limited by their care responsibilities, which men across contexts more rarely take on: *“The biggest obstacle for women to advance in their careers is the double burden of care work and work; not being able to travel to study if they have children”*. Empowering measures should hence promote family-friendly and flexible work environments, making leadership positions compatible with **part-time and flexible work hour arrangements**, as well as **paid parental leave**.

In addition to struggling with work-life balances, interviewed female employees reported being confronted with gender stereotypes and harassment from external business partners or clients, and felt that they need to prove themselves more than men, especially in male-dominated sectors. Here, case studies showed that the implementation of internal **anti-harassment policies, codes of conducts, and reporting pathways** are key to providing an empowering and safe work environment that overcomes structural barriers for women's leadership, including for an organization's work with external clients and partners. Moreover, interviewees emphasized that the communication of and training on the meaning of such policies and measures is necessary to ensure a common understanding that is "lived" by everyone.

**Transformation:** Finally, for work environments to unfold transformative effects on women's leadership, the active countering of discriminatory gender norms and challenges as highlighted above is necessary. As TBC Bank's example mirrors, this is required as even with comprehensive family-friendly policies and structures in place, women in leadership are still strongly affected by societal norms, e.g., in terms of childcare. The case studies underline two approaches that could be effective within the private sector: First, the **funding and provision of childcare support**, a specific wish by female employees, can directly lift the double burden of balancing professional and care work responsibilities from women, allowing them to take on new roles. This may include corporate childcare, cooperation with local childcare institutions, and emergency childcare provision. In addition, the findings suggest that **incentives for men** to take on care responsibilities could be an important tool to break persisting cultural norms, such as non-transferable, additional paternity leave. Second, employers can contribute to breaking gender stereotypes and facilitate norms change by conducting organization-wide **trainings on gender bias**. This can counter a lack of awareness on some of the persisting issues for women's leadership that female employees across organizations observed.

**Good practice:** At Kandeo, a female leader described how Kandeo's CEO publicly counters stereotypes and negative commentary towards her when participating in boardroom meetings. Interviewees described that this is exemplary of Kandeo's "culture of empowerment", based on proactive peer support and a common understanding of gender-specific challenges. This culture is considered a key determinant of women's ability to thrive in leadership positions at Kandeo and portfolio companies.

### 3.2.5 Training and Skills Development

In all three case studies, training and skills development were identified as a key action area with the potential to promoting women's leadership. This resonates with literature, which underlines that education and training, throughout the lifecycle, have direct transformative effects on women's economic empowerment: Among others, spillover effects can break intergenerational poverty cycles, delay marriage and childbearing, and improve labor market outcomes<sup>50</sup>. In terms of promoting women's career advancement, **job-related certified trainings** were considered a pre-condition for accessing leadership positions by interviewees. Moreover, **training on soft skills and opportunities for personal development** were a welcomed support in growing into the role of a leader over time.

In this context, the case studies provided good practice examples and pointed to the challenges that need to be overcome to ensure women's representation, empowerment, and transformation in and through the key area of training and skills development:

**Equal representation:** In building the foundation for women to advance in their careers and be represented in leadership positions, organizations considered making training and skills development **accessible** to all employees a crucial minimum requirement. In other words, related opportunities must be available to everyone, also in terms of their setting and timing. Barriers for women that could be observed in two of three case studies, due to care responsibilities and part-time contracts, should be considered in the planning process. As one case study demonstrated, these barriers can be overcome, e.g., by offering learning opportunities during normal work hours.

**Empowerment:** For measures that can have empowering effects in the action area of training and skills development, the case studies underlined the need to design **gender-responsive offers**. On the one hand, this can entail the provision of specific training opportunities for women in sectors and occupations in which they are underrepresented. On the other hand, as findings of different case studies highlight, empowering effects can be created by designing training contents based on gender-disaggregated needs assessments. Female employees greatly valued specific training opportunities that were targeted at their leadership goals, including actual “leadership coaching” that would help them develop the soft skills perceived to be needed to thrive in a role with more responsibilities.

**Good practice:** TBC Bank set up a “Women in Tech” program to increase the internal share of women in the IT sector, traditionally a male-dominated sector. According to interviewees, demand is high, confirming its effects on enhancing diversity and actively promoting women’s career advancement.

**Transformation:** As mentioned throughout other key action areas for women’s leadership, entrenched societal and gender norms and biases present a main structural barrier to women’s career advancement. Transformative effects through training and skills development can be achieved by questioning and addressing such biases within trainings. Across all case studies, individual women in leadership positions pointed to a persisting sense that they had to live up to an expectation of leadership that is defined according to male stereotypes: “I believe that the word of a man in my position would be taken more strongly and seriously than mine”. Consequently, transformative effects on gender norms can be achieved by organizations in addressing gender biases in **the way that leadership skills are trained and developed**. The case studies revealed that there is likely a gap when it comes to the design of trainings and development opportunities that are not defined by a “male” standard but that consider and teach diverse skill-sets, e.g., of leadership styles.

### 3.2.6 The Role of DFIs and other Investors

Beyond key action areas on an organizational level, all three case studies assessed the role that DFIs and other investors can play in encouraging measures in these action areas that promote transformative effects of women’s leadership. Since two of the cases analyzed the efforts of financial institutions/investors (Kandao and TBC) these provided insights regarding the role that DFIs played for their organization’s work on gender equality as well as their own influence on their clients and investees. Building on the existing literature this empirical evidence provides further insights into the effectiveness of different approaches to advance gender equality of DFIs and investors. Four approaches were identified as particularly important in this regard:



**Be a role model. Actively and publicly showing commitment to gender equality has been a key development among DFIs over the last years.** As exemplified by the 2X Challenge, DFIs take a stance on gender equality and thereby send a message to the DFI community and investees. Does it have an effect? According to the findings from the case studies, it does. Employees at Kandao report that their commitment to women’s leadership contributes to a change in attitude among their investees. They consider it crucial that their ambition to have an impact on gender equality goes hand in hand with an organizational culture and practice of gender equality, which they showcase actively. Kandao’s female head of equity says: “By becoming more active in female networks but also in interactions with men, women in leadership positions like myself can have an impact”. Similarly, employees at TBC Bank are convinced that their showcasing of a work culture of respect and equality, in which women and men thrive equally contributes to a change of mindsets among their clients and cooperation partners. Consequently, open commitment of DFIs and other investors matters and is crucial to convince portfolio companies to promote gender equality. **Strategies and commitments on gender equality therefore need to go beyond a focus on the impact of the portfolio but also build expertise and structures for gender equality internally.**



**From minimum requirements to impact.** A look at the academic literature on the impact of gender-lens investing on gender equality revealed (see chapter 2) that evidence on this relationship is missing. It is so far not common practice to systematically track investments' effects on gender equality and women's empowerment. As discussed in chapter 3.1, the 2X Challenge provides only limited insights regarding the effects of investments that meet its criteria. An overall challenge remains, as the academic literature on women's economic empowerment found, that measuring progress on women's leadership and gender equality often remains limited to "counting women", instead of assessing where structural barriers to gender equality have been addressed. In addition, a comprehensive consideration of minimum requirements that should be met regarding gender equality in due diligence processes is so far rare.

**The case studies showed that the setting of minimum standards and introduction of impact measurements are however key instruments for DFIs and other investors to incentivize positive effects on gender equality.**

As an employee at Kandeo put it: *"Structures, rules and requirements of investors shape [investees] deeply"*. Kandeo makes it a standard for all its investees to have at least one woman in the board. In addition, Kandeo tracks portfolio companies' performance among others based on gender specific indicators, such as share of women in the board or share of female employees. These serve as a basis for negotiating actions for the improvement of gender equality standards within portfolio companies' organization. Thereby, Kandeo creates incentives for its clients to strengthen their efforts. Yet, Kandeo and other investors could further scale their impact on gender equality by moving beyond just measuring women's representation. As shown in the presentation of findings on organizational level, women's representation is often times not an accurate indicator of whether structural barriers to gender equality have actually been addressed. For instance, TBC Bank tracks the gender pay gap on different levels of the organization. It provides the Bank with evidence regarding changes in women's economic power in the organization and allows the company to implement appropriate measure to strengthen their impact in this regard.

**Consequently, a comprehensive impact measurement and minimum requirements bear a lot of potential for DFIs and other investors to positively influence their portfolios impact on gender equality. DFIs and other investors who want to contribute to transforming gender inequalities therefore should make it a priority.**



**Technical assistance.** A central activity of DFIs in the promotion of gender equality in their portfolio is currently to offer technical assistance when it is specifically requested by clients. The findings from the portfolio analysis and case studies show that this meets an important demand.

Across all case studies clients raised the need for further technical assistance to scale their impact on gender equality. Requests entail guidance and expertise on strategies, action plans and policies, impact measurement and training on gender mainstreaming and biases. Also, the design of gender-responsive financial products has been raised by financial institutions. This underlines the previously raised importance of building commitment and expertise internally at DFIs and other investors. In addition, the case studies outlined the relevance of a systematic assessment of the current gender equality situation in the respective institution and the impact the client wants to achieve. A client such as TBC Bank, who has already put in place a substantial number of measures to ensure gender equality, might for instance only require guidance on implementing policies in a transformative manner. In contrast, companies who are just starting to address gender inequalities first need guidance on make certain positions accessible to women and countering active discrimination. These processes can be started on demand but could also be systematically integrated in the investment cycle. Kandeo provides a good practice in this regard, as the fund systematically assesses the gender equality situation with its portfolio companies in the beginning of the investment cycle. During the first 100 days, Kandeo's ESG team then monitors and works closely with the new investee to provide guidance and ensure actions are being implemented successfully. Where needed, Kandeo also enrolls portfolio companies in formal trainings to acquire the skills to implement actions. **Consequently, evidence suggests that a systematic integration of impact measurement and targeted technical assistance on gender equality issues is crucial to scale organization's impact sustainably.**



**Networks, platforms, and community. Learning from each other and being part of a community of practice is characteristic of current efforts of DFIs to promote gender-lens investing.** The 2X Challenge and Gender Finance Collaborative are examples for this. According to the portfolio analysis and the case study reports efforts to spark exchange and share good practices should be pursued even more systematically. Investees show a great curiosity to learn from their peers regarding effective means to enable women's leadership and address structural barriers to women's empowerment. So far, investees who were part of the case studies have not participated a lot in such networks or forums. Also, within the portfolio analysis this could be identified as a gap. However, it was raised as a key opportunity to gain insights into the experiences of other companies, how to tap into female talent pools, break structural barriers and mainstream gender equality in the investment cycle. Based on insights from the literature review it is considered crucial to collaborate in networks and platforms with women's rights and gender equality organization. These can raise issues that otherwise might not be seen from within the private sector. **Overall, increasing opportunities for networking and exchange on transformative approaches to gender-lens investing with the inclusion of women's right and gender equality organizations should be a key activity for DFIs and other investors aiming to strengthen gender-lens investing.**

## 4 The Way Forward

### 4.1 An Evidence-Based Theory of Change

The findings from the portfolio analysis and case studies provided key insights into the enabling factors for women's leadership and economic empowerment and how DFIs and other investors can contribute to it. It offers additional empirical evidence to the hypotheses developed based on the explorative interviews and literature review. Together, the insights from the explorative interviews, literature review, portfolio analysis and cases create the basis for the **development of a comprehensive theory of change on gender-lens investing** for both DEG and OeEB.

**The theory of change is two-leveled. The case studies emphasized the importance of internal expertise, structures, and processes of organizations in order to have external effects.** The theory of change therefore includes a nested theory of change. It outlines how DEG and OeEB and the investment community at large can bring about the expertise, structures and processes that are necessary to be able to invest with a gender-lens and contribute to change at client level.

Before zooming in on the detailed internal theory of change for DEG and OeEB, followed by the external theory of change, a simplified version is presented to highlight the interconnectedness of both as well as main impact hypotheses.

Figure 4: Simplified Internal and External Theory of Change for DEG and OeEB

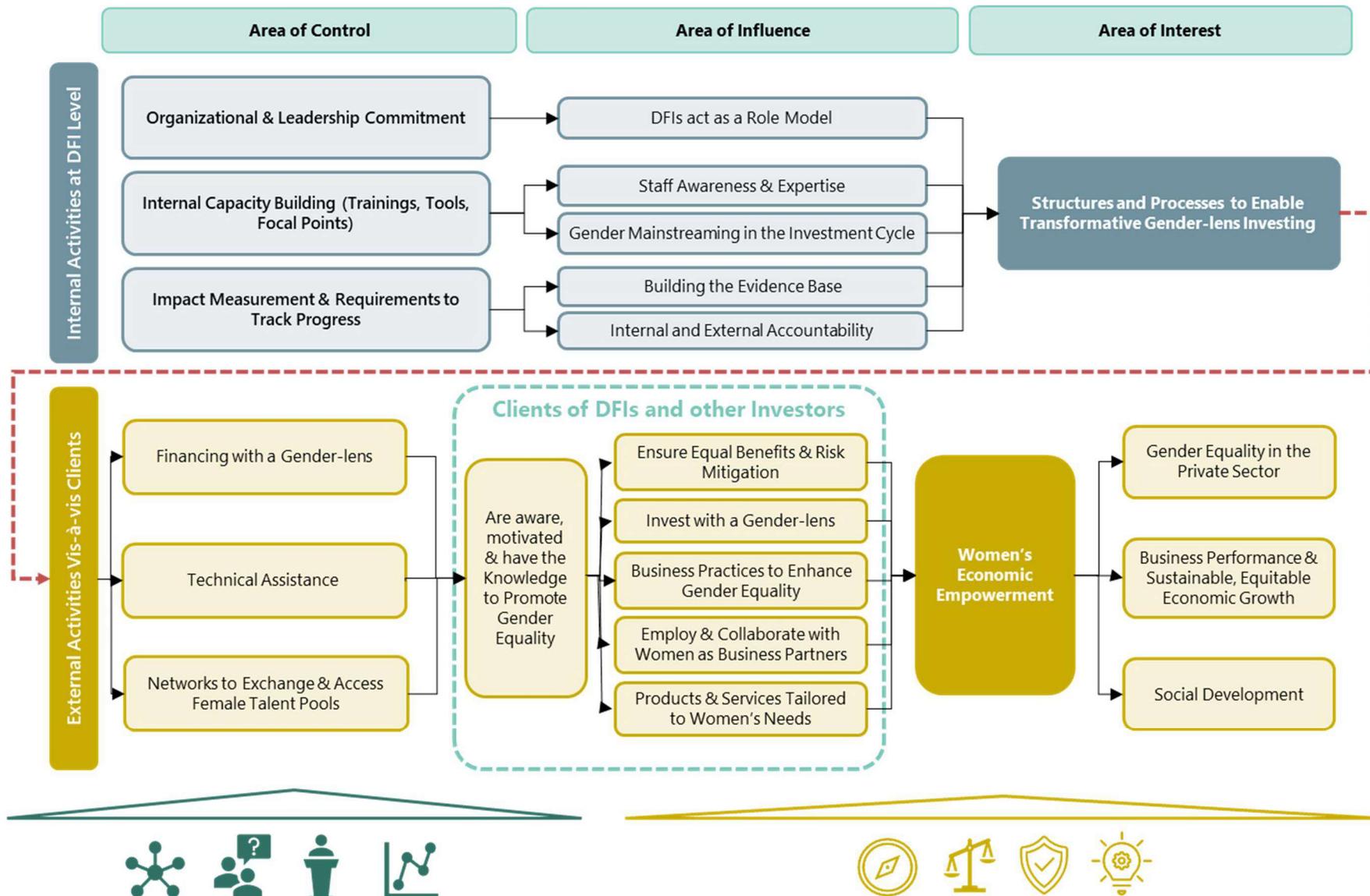


Figure 5: Zoom-In on Internal Theory of Change for DEG and OeEB

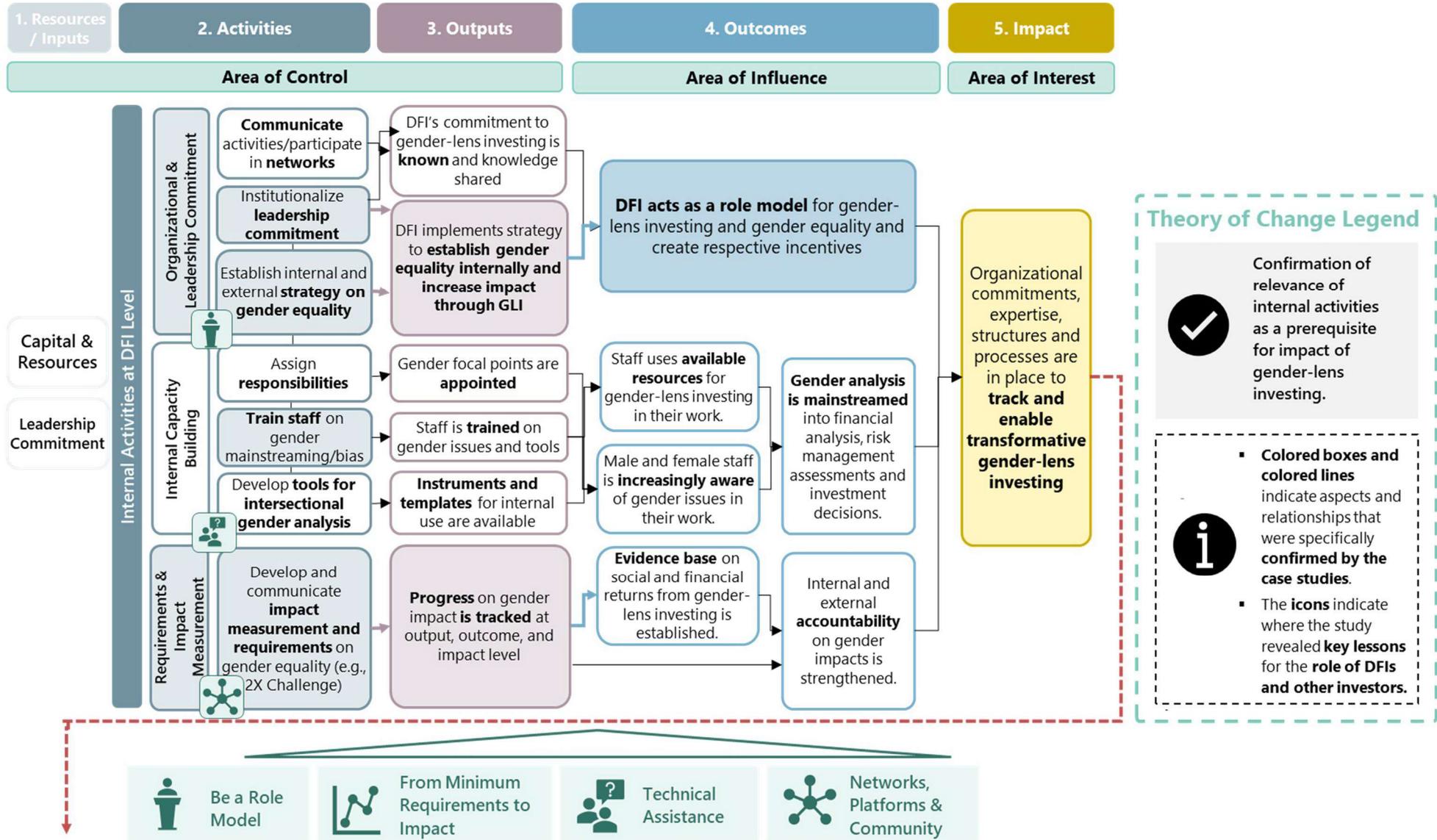
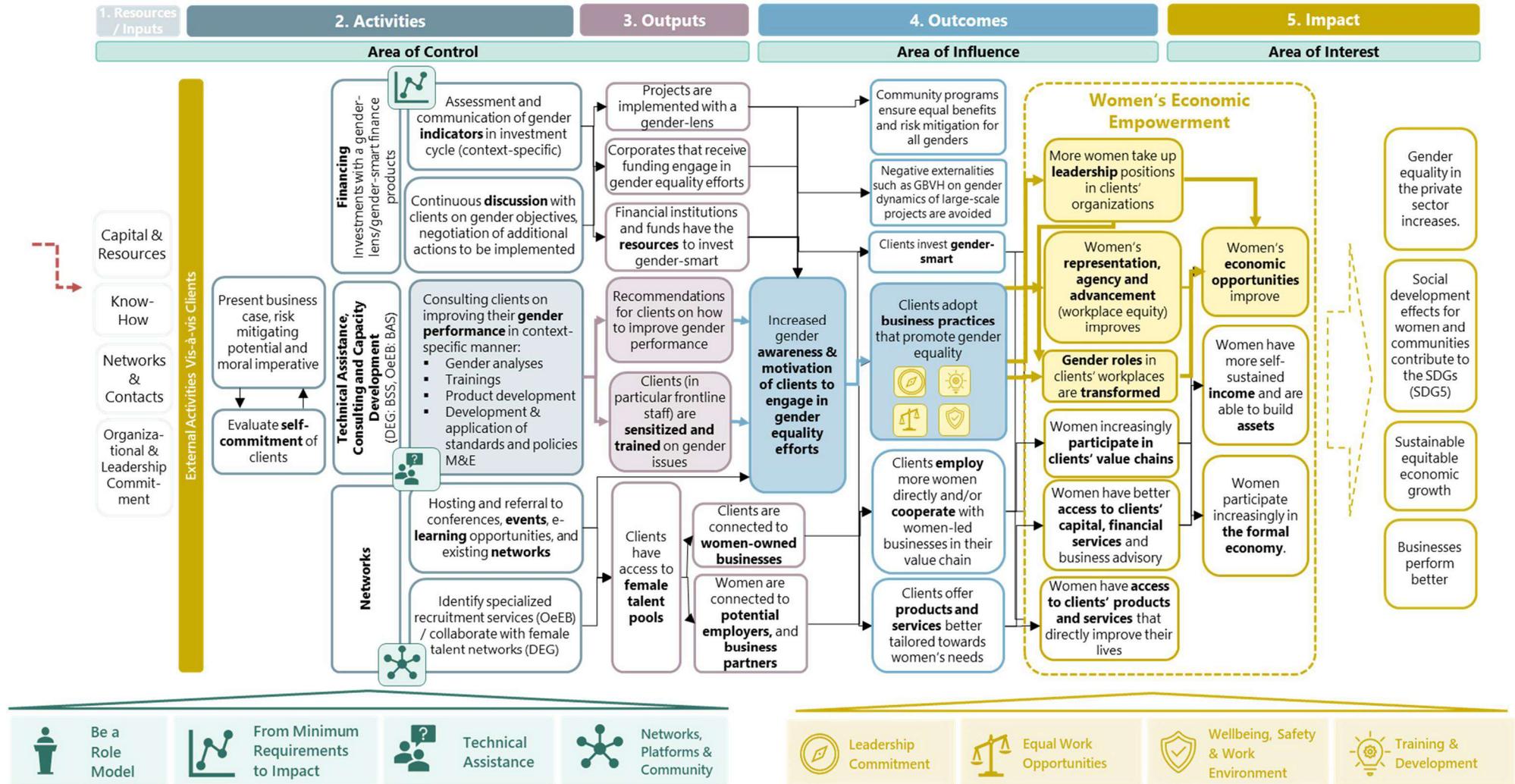


Figure 6: Zoom-In on External Theory of Change



Building on the internal theory of change, the external theory of change outlines through which inputs and activities DFIs and other investors can increase the impact of their portfolio on gender equality, social development, and sustainable equitable growth. Again, the highlighted steps of the theory of change and bold lines indicate hypotheses that could be specifically confirmed in the case studies. In particular, the case studies offered insights into the business practices that should be encouraged and pursued at client level in order to ensure that women’s leadership has transformative effects on women’s economic empowerment and gender relations. Through the case studies, four action areas were identified (see findings and key take-aways in *chapter 3.2 and 4.2*) that are key for the enabling transformative effects of women’s leadership on gender equality (indicated by the icons in *the figure 3*).

## 4.2 Key Take-Aways for Transformative Gender-lens Investing

The findings from the study and the developed theory of change point to key take-aways that can guide DFIs and other investors in their efforts to strengthen gender-lens investing with a particular focus on women’s leadership. The take-aways encompass measures in four identified action areas that should be encouraged in DFI investments on the organizational level of investees. The measures differ in terms of their transformative effects and should therefore build upon each other:

Measures for **equal representation** enable women to be represented in leadership.

Measures of **empowerment** counter and remove gender-specific barriers to women’s career advancement.

Measures of **gender transformation** contribute to sustainably transforming root causes of gender inequalities.

### Organizational Level-----

Four Action Areas	Equal Representation	Empowerment	Gender Transformation
 <b>Leadership</b>	Open <b>commitment to gender equality by company leadership</b> & communication of commitment internally	<b>Institutionalizing commitments by signing int. standards</b> Publicly communicating commitments to partners, customers Offer mentorship from leaders to female employees	<b>Leaders make time and resources available on management/board level</b> to implement commitments Leaders have relevant gender <b>expertise</b> and collaborate with gender experts and advocates on the implementation of commitments
 <b>Equal Opportunities</b>	<b>No discrimination</b> in HR processes & career paths and KPIs are transparent and clear	<b>Establish and implement</b> anti-discrimination, equal pay policies; monitor pay & sectoral gaps; strategy to counter gaps	<b>Mandatory training</b> of HR and leadership personnel on gender bias; internal <b>high-potential pipeline</b> of underrepresented groups (intersectional) to be considered in promotion decisions
 <b>Wellbeing, Safety &amp; Work Environment</b>	<b>Raise awareness</b> for sexual harassment, gender bias (e.g. care work), <b>role models</b> , build an empowering work environment around allyship	<b>Establish and implement</b> anti-harassment reporting pathways, parental leave and part-time options (also in leadership); conduct regular mandatory trainings on gender bias and harassment	Provide <b>childcare support</b> (funding/facilities), <b>break stereotypes</b> by encouraging men to take parental leave (e.g. role models);
 <b>Training &amp; Development</b>	Provide training and development options and <b>ensure availability and accessibility for all employees</b>	<b>Gender-disaggregated training</b> needs assessment and design; offer targeted training/mentorship opportunities for underrepresented groups	Address gender bias in training contents, especially in leadership trainings (e.g., counter standards of “male” leadership styles)

The following key take-aways are directed at the **specific role that DFIs and other investors** can play in bringing about transformative change through gender-lens investing:

Role of DFIs and other Investors-----

Four Approaches	Key Measures
 <b>Be a Role Model</b>	Publicly commit to gender equality and walk the talk: Build internal expertise and commitment, develop a theory of change and strategies for gender equality internally and externally.
 <b>From Minimum Requirements to Impact</b>	Set minimum requirements that all investment need to meet; Develop incentivizing impact measurement on gender equality, mainstream it in the investment cycle, incl. a dialogue with clients on progress
 <b>Technical Assistance</b>	Build internal expertise; offer assessments, resources, good practices, support in product development; mainstream TA on gender equality in the investment cycle
 <b>Networks, Platforms &amp; Community</b>	Create and participate in exchange networks on gender equality and invite clients to participate; Showcase good practices and connect actors; collaborate with women's rights and gender equality organizations and activist.

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