Photo: Adam Finch/Root Capital

Closing the gender gap in agricultural investments

How three CSAF investors are turning gender intention into action

root capital

CSAF COUNCIL ON SMALLHOLDER AGRICULTURAL FINANCE

VALUE FOR WOMEN

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ACKNOWLEDGEMENTS

Root Capital invests in the growth of small and growing agricultural businesses so they can transform rural communities. These small and growing businesses – such as farmer-run cooperatives, family-owned nut processors and grain aggregators – source crops from hundreds or even thousands of smallholder farmers. With support, they become engines of impact for smallholders in the world's most vulnerable places. They can raise farmer incomes, create jobs, empower women and young people, sustain peace, and preserve ecosystems. To fulfill their potential, however, businesses must have access to the resources and capacities that enable growth and resilience. Too often, agricultural enterprises fall through the cracks of the financing world: too large for microcredit, and too small (and risky) for commercial lenders. Root Capital uses a "Credit-plus-Capacity" model for this overlooked segment, pairing lending with technical training. Worldwide, Root Capital has lent $1.6 billion to over 750 enterprises reaching 1.3 million farm families across Latin America, Africa, and Indonesia, and has provided tailored training to 1,675 enterprises.

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CSAF is an alliance of lending institutions with a shared commitment to building an inclusive and sustainable financial market for small- and medium-sized enterprises (SMEs) in the agriculture sector in developing countries worldwide. CSAF members convene to share learning, develop industry standards, and engage other stakeholders. CSAF aims to: facilitate market growth to meet a greater share of the vast financing needs of agricultural SMEs globally; promote responsible lending practices and social and environmental standards to ensure that market growth for agricultural SME finance contributes to positive impact on smallholder farmers, workers, rural communities, and the natural environment; and, build the ecosystem for inclusive and sustainable financial markets and agricultural value chains.

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Value for Women (VfW) is a global pioneer catalyzing women's participation and leadership in business, finance, and investment in emerging markets. VfW does this by building individual leadership, equipping businesses, and driving innovation through data and research. VfW believes that women are key drivers of economic and social growth, and that women's inclusion is essential for better business outcomes. VfW identifies and tests new solutions that foster inclusion while unlocking the powerful economic potential that women hold. Specifically, VfW supports investors seeking business and social returns in diverse sectors, such as finance, agriculture, and clean energy by providing research, training, and technical advisory support. VfW is a woman-led company and its diverse team is spread across five continents.

» Learn more at www.v4w.org

This case study was made possible thanks to the support of the Walmart Foundation, and is part of Root Capital's **Strengthening the Livelihoods of Women Smallholders through Investments in Gender-Inclusive and Women-Led Agricultural Businesses** project. Through this project, philanthropic support provided by the Walmart Foundation helped unlock and accelerate Root Capital's financing of gender-inclusive businesses in Mesoamerica, impacting the lives of nearly 10,000 women working in agriculture. It provides a replicable model and evidence base for other donors and investors, while on-ramping gender-inclusive businesses to a growth trajectory that increases their bankability and enables them to secure financing without additional philanthropic support. Root Capital's long-time partner, Value for Women, supported the field building agenda of this project by co-sponsoring gender inclusion training and targeted one-on-one technical assistance for CSAF members.

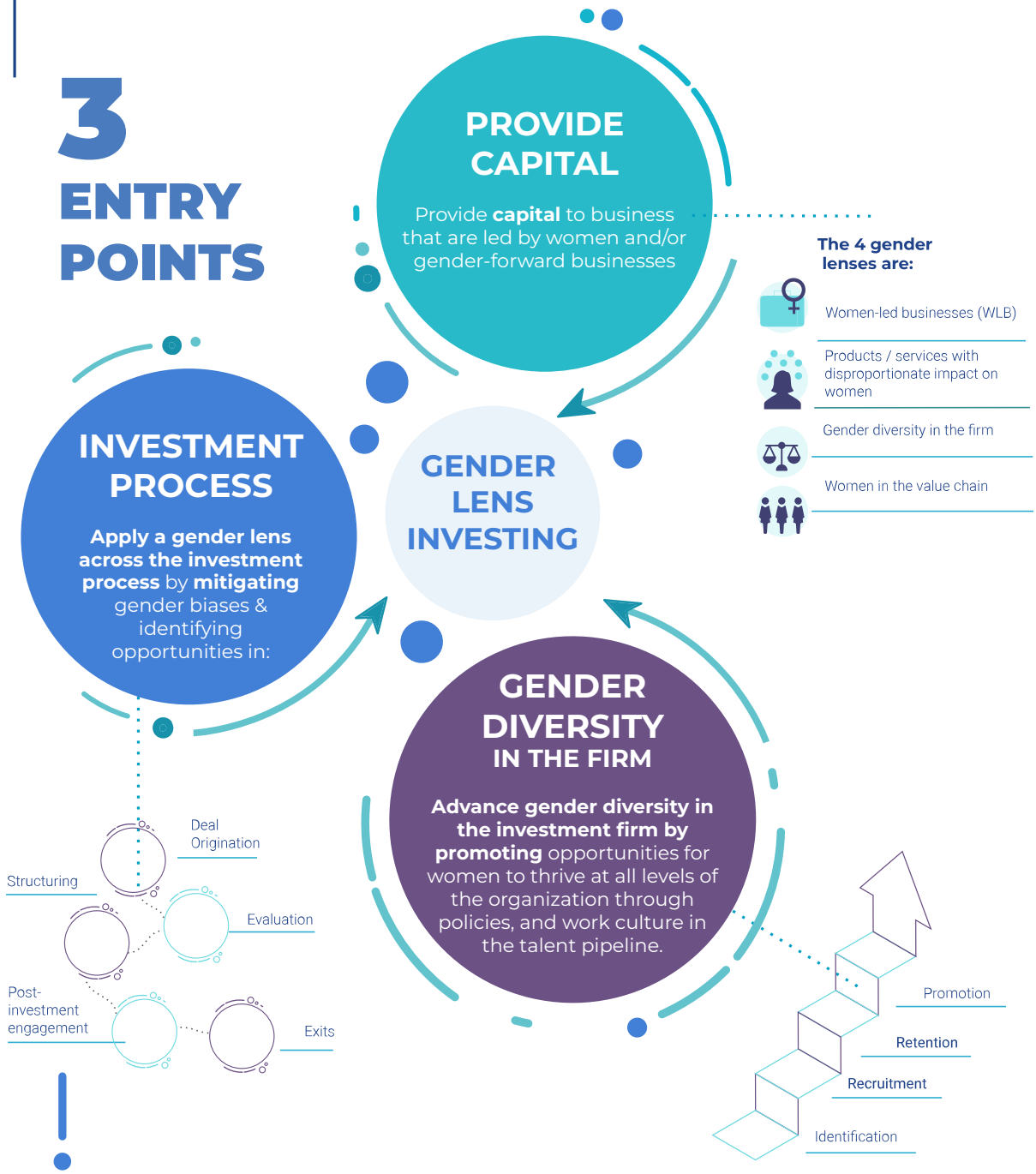
In 2021, Root Capital, VfW, and CSAF hosted a series of trainings and events to demonstrate the business case for gender lens investing, and advance gender equity goals among CSAF investors. In 2022, three selected CSAF members received customized one-on-one technical assistance (TA) from VfW to kick off or advance on their journeys in gender lens investing. Over a six to nine month period, Alterfin, Cordaid Investment Management and Incofin developed organizational gender lens investing strategies, implemented gender metrics, and enhanced knowledge and buy-in for gender lens investing within their agri-investment teams and senior leadership. This report, which includes case studies of the three investors, showcases how these investors turned their gender intentions into action, each focusing on the entry point and gender lens investing (GLI) actions most aligned with their business and impact priorities.

INTRODUCTION

When it comes to addressing the gender finance gap in agriculture, many investors feel stuck. Risks inherent to the agriculture sector, coupled with the challenging systemic challenges that women in agricultural livelihoods are up against, can leave many investors at a loss for how to find and support women-led enterprises and develop an investment strategy that incorporates gender inclusion. Yet, **the hardest and most important step is often just getting started. It is important to understand that not only gender-focused investors can invest with a gender lens.** There is no one-size-fits all approach to gender lens investing, which means that investors can start small and focus on entry points and actions that align closely with their existing investment and organizational priorities. Often, investors can start with low hanging fruit to yield "quick wins" which help build internal buy-in and momentum for bigger initiatives and changes.

This case study will showcase how three CSAF members turned their gender intentions into action, each focusing on the entry point and gender lens investing (GLI) actions most aligned with their business and impact priorities. The primary audience for this case study is fund managers who are convinced of the importance of adopting gender inclusive practices, and are looking for practical examples of how to do it. For gender-focused limited partners (LPs), this case study can serve as a conversation starter with fund managers on how to apply a gender lens within their firms. By demonstrating how three investors with differing investment priorities, ticket sizes, and geographic footprint chose to take action, our goal is to inspire others to get started on, or further their own GLI journeys.

THREE ENTRY POINTS FOR GENDER LENS INVESTING



The process of investing with a gender lens requires investment firms to look internally, at both their capacity to invest with a gender lens and to promote gender diversity within their own workforce, as well as externally, at how they can apply a gender lens to their investment decision making. Value for Women's Gender Lens Investing Framework outlines three entry points for investors to adopt a gender lens investing approach.

Because there is no "one-size-fits-all" approach, investors can use these actions as a reference and adopt all or a hybrid depending on their starting points, motivations, and objectives. Further to that, investors can add more elements incrementally to steadily increase their gender inclusion practices and gender impacts. [1]

[1] Value for Women. How to Invest with a Gender Lens: A guide for investors in emerging markets. 2020. Accessed April 19 2023. https://www.v4w.org//uploads/documents/HOW-TO-GUIDE-REPORT-1.pdf

BACKGROUND

36% of women globally and over 65% of women in certain regions such as sub-Saharan Africa and South Asia earn their living from the agriculture sector.[2] Yet, women receive only 7% of total agricultural investment.[3] Simply put, agricultural finance is not reaching women in agriculture. It's undeniable that there are challenges inherent to servicing SMEs in hard-to-reach, rural areas; while financial institutions and investors have traditionally struggled to reach women through standard investment processes, those that have adapted their approach to bring more women into their portfolios have seen the upside. Root Capital's recent analysis of nine years of data from active and former borrowers representing more than US$1 billion in investments in agricultural value chains across Latin America, Africa, and Indonesia shows that:

1. **Loans to women-led enterprises and those with greater participation of women are more profitable.** Controlling for the loan size, region, and industry, loans to women-led enterprises, on average, yield $17,850 more profits than loans to non-women-led enterprises. This demonstrates that, contrary to popular misconceptions, loans to women-led enterprises and those with greater participation of women are not costlier to serve.

2. **Enterprises with greater women's leadership and participation have more stable revenues.** On average, women-led and gender-inclusive enterprises[4] see one-third smaller annual variation in revenues compared to men-led and non-gender-inclusive enterprises.

3. **Women-led and gender-inclusive enterprises are very fast-growing.** Root Capital compared its portfolio to a global baseline from the OECD that defines high-growth enterprises as having 20% compound annual growth rate (CAGR)[5] and 35% average annual growth rate (AAGR).[6] On average, women-led enterprises experience year-on-year growth rates of 25.7% CAGR and 45.2% AAGR. Gender inclusive businesses experience, on average, year-on-year growth rates of 20.6% (CAGR) and 35.1% (AAGR).[7]

[2] Food and Agriculture Organization of the United Nations (FAO). The Status of Women in Agrifood Systems.Rome: FAO, 2023. Accessed April 19 2023. https://www.fao.org/3/cc5343en/cc5343en.pdf

[3] Colina, Clara and Anne Maftei. Pathways to Prosperity: Understanding women's rural transitions and service needs. RAF Learning Lab & ISF Advisors, 2019. Accessed April 19 2023. https://pathways.isfadvisors.org/report/gender/

[4] As defined by Root Capital, a business in which either over 30% of its employees, artisans, and farmers are women OR over 20% of its employees, artisans, and farmers are women and the business is led by a woman.

[5] Compound annual growth rate of sales is the measure of an investment's annual growth rate over time with the effect of compounding taken into account. It is used to measure and compare the past performance of investments or to project their expected future returns.

[6] Average Annual Growth Rate of sales refers to the average increase in the value of an investment, portfolio, asset, or cash stream over a period of time.

[7] Naeve, Katie and Vincent Moehler. Inclusion Pays: The Returns On Investing In Women In Agriculture. Root Capital, ND. Accessed May 16, 2023. https://rootcapital.org/inclusion-pays/

Photo: Annie Spratt

Alterfin formalized gender into existing organizational processes, in order to deepen the gender impact of its investments

Achieving impact, while also delivering a return to its 6000+ cooperative members, has been a focus of Alterfin's investment approach since its founding in 1994. Historically, Alterfin has focused on some of the most challenging but high-impact investments in emerging markets. Its investments in microfinance and sustainable agriculture are spread across Latin America, Asia, and Africa. For 60% of its partners in agriculture, Alterfin is a first investor. Approximately 40% of its portfolio is invested in agricultural enterprises or producer organizations, with loans starting at US$100,000 across a wide variety of value chains and markets. To date, gender considerations in investment decisions have not been deliberate, because of the underlying assumption that Alterfin – through its mission, its sectoral focus areas, and its ticket sizes – is already investing in institutions that are mission-driven.

The year 2022 marked the convergence of several important internal initiatives at Alterfin, intended to help the firm make more efficient investment decisions and better quantify the impact its investments are having – including developing a new Environmental & Social Performance Management system. Alterfin wanted to seize this moment to more intentionally formalize a gender focus in its operations. Specifically, this meant:

1. Developing a gender strategy, which would be embedded into the Impact Strategy and provide clarity both internally to staff and externally to clients and investors on Alterfin's overall gender goals and objectives for the next three years;
2. Integrating gender into the new and improved due diligence tools being developed across both MFI and agriculture investments.

"This was the opportunity to really formalize something that we're already quite committed to. [...] without formalization, you take a little too much comfort in the perceptions that you have and these are not necessarily backed by facts and demonstrated evidence."

– Jean-Marc Debricon, Chief Executive Officer, Alterfin

However, these changes were also coming at a time when the investment team was focused on managing the consequences of the COVID-19 pandemic, especially on the microfinance portfolio quality, where provisions had to be made and many loans had to be restructured. There were concerns that the team had too little bandwidth to make significant changes to existing processes and investment targets. Any actions on gender would need to be embedded in current systems and processes to avoid overwhelming a team already stretched thin.

Alterfin set gender-lens definitions, enabling better data collection and target setting

With VfW's support, Alterfin began the gender work by setting gender-lens definition(s), as an important starting point for developing baselines and diagnosing gender gaps and opportunities throughout the investment cycle. Alterfin set out to do this as part of its process to develop an organizational gender strategy that would signal to its shareholders, board, and staff that gender is a priority. Through two facilitated workshops, Alterfin leadership worked through a series of questions that helped it define who Alterfin ultimately wants to impact, and what gender outcomes it wants to achieve. Based on this, Alterfin defined the types of businesses it needs to target, and the type of support it could provide in order to achieve its desired impact outcomes. Alterfin used the 2X Challenge criteria as a starting point for establishing its gender-lens definitions of women-led and women-focused businesses, but realized that it could also go beyond the 2X Challenge criteria based on the team's knowledge about its existing portfolio, and where further gender diversity and inclusion were possible.

"A high percentage of our portfolio already meets the 2X challenge, but the team wants to be more ambitious, which is good."

– Jean-Marc Debricon, Chief Executive Officer, Alterfin

ALTERFIN'S GENDER-LENS DEFINITIONS

To qualify as women-led/owned, a company needs to meet at least one of the below criteria.

LEADERSHIP		OWNERSHIP	
Female founder / CEO **and** >30% female managers **and** **>30% female board members**	**Woman founder(s) retaining an active role in the organization**	**>30% of shareholders are women (for-profit company)**	**>30% of members are women (cooperatives)**

Alterfin drew inspiration from the 2X Challenge definition of a women-led organization, which defines a business as women-led if 30% or more of senior management positions are held by women or the Board is composed of at least 30% women. Alterfin then went beyond the 2X Criteria and adapted its definition of ownership to better reflect the realities of agricultural lending, and cooperative ownership structures, where members are owners.

To qualify as women-focused, a company or cooperative must meet the quantitative indicator, and at least one qualitative indicator below.

QUANTITATIVE INDICATOR	Portfolio company offers products/services that have a direct impact on/benefit for women, indicated by customer/supplier base *i.e. 45% or more of company's customers/beneficiaries are women, 45% of company's volumes are sourced from women suppliers or 45% of contracted suppliers are women*

+

QUALITATIVE INDICATOR Company must meet one of these	• Company has designed or adapted its products/services to meet the specific needs of women customers/beneficiaries • Company regularly collects and analyzes sex disaggregated customer/supplier/beneficiary data to inform decision-making • Company provides capacity building, training or other forms of support that is tailored to women's needs

The 2X Challenge indicator for consumption refers to whether a company provides goods or services targeting and benefiting women, and can meet this criteria through qualitative indicators (such as: the product was designed for women's unique needs or addresses a problem disproportionately impacting women) or by looking at the number of customer or beneficiaries reached. Alterfin requires **both** a quantitative indicator of outreach alongside **at least one qualitative indicator**, to ensure that portfolio companies are actively tailoring their products, services or approaches to the specific needs of women.

With these definitions in hand, Alterfin could now identify how many women-led and women-focused businesses are already present within its portfolio, and in the future will be able to set targets for portfolio allocation to these types of businesses.

Alterfin revised its investment evaluation tools to incorporate gender considerations into investment decision-making

To ensure that investments have a gender focus going forward, Alterfin also sought to formalize a gender lens at key moments in the investment process. Leveraging an ongoing project to update its due diligence process, Alterfin worked with VfW to embed a gender lens in two new tools: a data capture sheet, and a due diligence check-list and scorecard. The data capture sheet allows Alterfin to make an initial assessment of where women are at all levels of a potential investee's business, from leadership all the way to customer or producer levels, and helps reveal any potential gaps in women's representation.

SNAPSHOT OF ALTERFIN'S DATA CAPTURE SHEET
Total number of employees, disaggregated by sex
Number of managers, disaggregated by sex
Number of Board of Directors members, disaggregated by sex
Total Permanent staff, disaggregated by sex
Total Temporary staff, disaggregated by sex
Total producers, disaggregated by sex

Within the due diligence check-list itself, gender considerations were embedded in evaluation criteria and definitions, and in the scorecard wherever appropriate.

Illustrative indicators from Alterfin's due diligence check-list[8]

INDICATOR	DEFINITION	SCORING GUIDANCE	RATIONALE
Staff training	The company provides all employees with training needed to enable the correct and safe conducting of their tasks. Training is designed and delivered in an inclusive manner.	**1 =** No training provided • • • **5 =** All criteria met for on-the-job training	Inclusive design and delivery of training helps ensure that women are able to fully participate and derive equal benefits from training as men.
Employee turnover	The company monitors the rate of employee turnover and understands the reasons for exits.	**1 =** No monitoring of staff turnover • • • **5 =** Staff turnover is monitored and disaggregated by sex	Helps uncover major differences in turnover rate between men and women, and investigate further to determine root causes. TA support can be provided to implement measures to increase retention rates among women employees.
Membership policies	The company is making efforts to expand women's membership / presence in supply chains.	**1 =** No formal practices in place • • • **5 =** Non-discrimination is formally embedded in policies and processes	Provides a conversation starter at the due diligence stage to gauge openness and capacity to implement membership policy changes. If there's willingness to make these changes, then TA can be provided to support these changes internally through training of staff who recruit farmers, developing new sourcing channels, or other means.

Previously, Alterfin had very little organized data about internal inclusivity and internal practices of its borrowers. Adding these indicators to the check-list allows investment officers to highlight those companies that are implementing gender-related policies and practices internally, or vis-à-vis their customers or producers, in the investment memo. It can also help uncover gaps, which can serve as a starting point for engaging that investee on the topic of gender and potentially directing post-investment technical assistance support towards them.

[8] Please note that these indicators have been edited for confidentiality.

"[The improved due diligence tool] will increase our understanding about our partners, where we stand, how they perform [on gender]. We can't take action on gender until we know more."

– Caterina Giordano, Chief Impact Officer, Alterfin

Ultimately, the revamping of these tools will allow Alterfin to become more sophisticated on gender lens investing in a number of ways. The data collected at the due diligence stage will provide a snapshot of gender impact across the portfolio, and will allow Alterfin to establish a benchmark to assess each investment decision along various metrics, including gender impact. This information will also be utilized for portfolio management, and the setting of goals or targets in terms of how many women-led/owned and women-focused businesses Alterfin aspires to reach going forward. With improved data and metrics, Alterfin will also be able to better communicate its gender impact, which will contribute to fundraising efforts and help attract the right shareholders who share its mission and impact objectives. Down the line, Alterfin will also be able to conduct gender lens portfolio analyses and contribute to the growing body of evidence on the business and impact case for investing in women-led and women-focused companies.

Photo: Adam Finch/Root Capital

Cordaid Investment Management incorporated a gender lens throughout its newly-launched fund's policies, to help meet its gender impact targets

Cordaid Investment Management (CIM) is an impact-first investor with more than 25 years of experience investing in microfinance institutions and small and medium-sized enterprises across Africa, South-East Asia, and Latin America. CIM has a particular interest in investing in fragile countries where other impact investors do not venture, based on the belief that SMEs are instrumental for fragile countries' economic development.

In late 2022, CIM launched the West Africa Bright Future Fund (WABFF), a new €22M, 2X Challenge compliant[9] investment fund, with the explicit mission to create jobs for women and youth in sectors that are most accessible and impactful for them (agriculture, clean energy, and waste management). WABFF provides medium to long-term senior loans which are structured to meet the specific needs of a business, in both hard and local currencies, with ticket sizes starting around US$500,000. Investments must contribute to WABFF's target outcomes of job creation, increased income, sustainable economic development, or sustainable livelihoods. The fund also has specific gender-related targets, including the creation of 550 direct jobs for women.

Given the strong gender focus in the new fund's mandate and target outcomes, CIM now needed to ensure that this gender intentionality was reflected in its investment processes so that capital could reach women-owned and/or -led businesses and businesses that create decent jobs for women. There was also strong interest within CIM to use this new fund as a test case for how to be more explicitly focused on gender across the investment process, with a view that lessons learned from the WABFF could be rolled out to other future funds.

[9] Meaning that 30% of portfolio companies meet the 2X criteria.

CIM integrated gender into its new fund's investment policies and measurement frameworks

In the West Africa Bright Futures Fund, CIM had built the gender commitment from the beginning. The logical next step was to ensure that the gender lens was explicitly included in fund policies, to help direct capital towards investments that could ultimately help CIM achieve the fund's gender (and youth) employment goals. With VfW support, CIM set out to review and revise its core internal strategy documents and impact framework to explicitly include gender and diversity going forward.

Specific recommendations were made for how to embed gender throughout CIM's impact strategy, which is elaborated in a number of its documents and policies, including:

AMBITION STATEMENT

Outlines why and how CIM aims to achieve its mission of investing for a brighter future and provides strategic guidance on all of its activities, from the annual strategy to impact measurement.

- Explicitly called out gender and diversity as a goal.

THEORY OF CHANGE

Serves as the foundational document for CIM's impact measurement and investment decision-making.

- More explicitly called out gender-related outputs and outcomes.

IMPACT MEASUREMENT FRAMEWORK

- Included an intersectional lens to the collection and disaggregation of data in the (e.g. disaggregating youth and rural clients by gender) to see whether real impacts are being shared equitably.
- Applied a gender and diversity lens to the key performance indicators, for instance, by setting targets for women-led/owned and gender-inclusive SMEs accessing CIM capital, to ensure the benefits of CIM's involvement in target countries will benefit women and foment women's economic empowerment.

While CIM has always considered gender and diversity in its internal operations and impact metrics and goals, gender and diversity have not previously been explicitly and systematically embedded in its strategy and governing documents. Embedding gender more intentionally throughout its core strategy documents will ultimately help CIM support stronger institutional engagement with and accountability for embedding gender and diversity within CIM's internal and external operations.

CIM designed a simple tool to help investment officers have nuanced gender-lens conversations with potential investees

To help the WABFF achieve its gender-related outcomes, CIM knew that it would need to be more intentional in its origination approach, to be able to uncover investment opportunities that were likely to generate decent and sustainable work opportunities for women. One important way that investors can tap into women-focused entrepreneurial networks is by having women on the investment team – and this is already the case for CIM, where both of WABFF's in-country investment officers are women. As a next step, CIM set out to create and pilot a 'question bank' tool to help the investment team to conduct sensitive, nuanced conversations about the role of women in potential investee companies. CIM initially envisioned that this question bank could act as a conversation starter, to help investment officers understand opportunities for building inclusive policies and practices. Importantly, this question bank was designed to be flexible enough that investment officers could adapt it to each country's context.

Examples of questions from WABFF's question bank

SAMPLE QUESTION	RATIONALE
Do you offer any sector-specific financing for industries that might be predominantly women-focused? (e.g. childcare, domestic services, market sellers, tailors / clothing repairs, handicrafts etc.)	Identify where additional products may be introduced to meet the needs of women
What kinds of market research have you done in the last [12 months]?	Understand the organization's knowledge of its potential customers and whether products are created to meet specific needs, especially of women and youth
Does data analysis include gender disaggregation?	Understand the organization's ability to derive gender-related insights from data, to inform decision-making and/or product design

In late 2022, CIM piloted the question bank with a potential investee in Burkina Faso, which led to two realizations. The first was that many of the companies that enter the WABFF's pipeline have strong and deep ties to their communities, and are generating positive outcomes that often go unreported in standardized due diligence tools. Based on this realization, and because CIM is an impact-focused investor, the fund is in the process of incorporating a number of gender-related questions into its due diligence tool to be able to capture these impact-related indicators. The second realization was of the importance of providing targeted training to investment teams on how to make use of these new tools - and especially how to have gender-focused conversations with potential investees. CIM's environmental, social and governance (ESG) lead will be running training on the updated tools for its extended team of investment officers.

Ultimately, embedding gender-focused questions into the due diligence process will help CIM and the WABFF establish each potential investee's starting point when it comes to gender-related policies and practices, and will help signal that gender is important to CIM, and an area that CIM will continue to engage the investees on.

How can investors ensure that their investments are actually making a positive impact on the lives of women?

"In the end, a lot of investors are looking at the financial return - and even with impact investors we really need to keep on focusing on the impact part, and to quantify that better than we have done to date. Having Value for Women on board, it helped us focus on this impact part as it relates to gender."

– Sjoerd Melsert, Senior Investment Manager, CIM

After spending some time on the ground interacting with potential investees and testing out different impact-focused questions, CIM's Senior Investment Manager realized that he tended to receive "expected answers", or the socially desirable ones indicating that gender was a core part of their organizational vision and mission; Melsert believed this was a consequence of increased access to grant funding or TA that had enabled investees to become fluent in the language used by impact investors.

CIM, like many other investors with an impact focus, want to make sure their investments are having genuine impact, beyond surface level claims. So, what investors can do?

In CIM's case, they intend to take a multi-pronged approach to ensuring impact. At the investment analysis stage, CIM will request that potential investees develop an action plan that clearly outlines how they will address any ESG-related gaps identified during due diligence. This action plan will be included in the documentation provided to the credit committee. Then, as part of its portfolio monitoring process, CIM will continue to collect social and environmental performance data on a quarterly basis, including the number of women at all levels of the company. In addition, the presence of local investment officers on the ground allows CIM to conduct regular verification visits between two and four times a year. In the future, CIM also has plans to conduct qualitative research on the impact its investments are having, beyond the outreach data that gets captured through existing monitoring processes.

This is a common area of interest for impact-focused investors: going beyond the outreach numbers that they track via due diligence and monitoring tools, and looking at **quality** of the impact. Alterfin as well has been experimenting with different approaches to understanding its impact. As part of its post-investment toolbox, Alterfin develops case studies, with the aim of validating impact hypotheses made at the due diligence stage. Alterfin's chosen approach is using the Sensemaker methodology, which captures the experiences of investees' end clients or beneficiaries. In 2022, Alterfin conducted a case study to validate the social and environmental value of investment in the Brazil nuts value chain in Bolivia. This year, Alterfin will implement this approach with an investee in Laos. Findings are published annually in Alterfin's Annual Report.

Photo: Adam Finch/Root Capital

Incofin focused on building internal buy-in for gender lens investing, while enhacing inclusive workplace policies and practices

Founded in 2001, Incofin is a European regulated Alternative Investment Fund Manager (AIFM) and direct investor in emerging countries, with over 95 employees based out of a global network of 5 offices that deploy capital and support in over 65 countries. While Incofin's headquarters are located in Belgium, the management team is embedded across the regional offices.

Incofin provides capital in the form of private equity, debt, and quasi equity, with a focus on balancing impact and financial returns. It also manages five donor-funded technical assistance facilities that provide pre- and post-investment support to investees. Agricultural finance is a particular area of focus for Incofin, with a current portfolio of over US$90 million deployed across 20 countries, primarily to producer cooperatives and agricultural SMEs with ticket sizes ranging from US$500,000 to US$3 million.

Given its commitment to achieving impact through both its managed funds and direct investments, gender has always been incorporated in the way Incofin evaluates the potential impact of every deal. Through its data collection and monitoring systems, Incofin also uses the 2X criteria to report on gender-related metrics to its investors on an annual basis.

"There's a lot of interest [in gender] in the investment team because we see more and more interest from investors and our investees on these topics."

– Lia Gonzalez, Regional Director, Incofin

Three events over the course of 2021 generated internal momentum for more international gender lens actions at Incofin:

1. Incofin strengthened its Human Resources function. As its first priority, the Head of People & Organization obtained approval from the Management Board for an ambitious new HR strategy, which included a target of reaching gender balance across all levels of the organization by 2025.
2. As a result of attending an introductory GLI training offered by CSAF in May 2021, and buoyed by an increasing number of asset owners initiating conversations about gender, the Head of Debt, Agro & Food established an internal GLI sub-working group, made up of individuals across the organization,[10] to help shape Incofin's gender lens investing strategy.
3. The COVID-19 pandemic, and its impact on employees' mobility and time, opened up conversations about work-life balance, and what it meant to offer flexible working arrangements without disrupting operations.

Incofin seized the opportunity provided by Root Capital and CSAF for gender technical assistance. The idea was to lay the groundwork for gender lens investing internally, so that for future funds, the teams would have the necessary knowledge to embed gender into funds' mandates and processes from the beginning.

Incofin established global standards for inclusive workplace practices while integrating regional and context-specific flexibility

Incofin had been deploying employee satisfaction surveys regularly for several years but in 2022, for the first time, it designed the survey to be able to sex-disaggregate the results. Given the major workplace-related shifts brought on by the COVID-19 pandemic, Incofin was keen to receive feedback on the flexible working policy it had developed and to see if there was any difference in the way men and women employees felt about working at Incofin.

[10] Agro & Food team, Financial Institutions team, Human Resources, Leadership team, and Risk & Impact team

With support from VfW, Incofin analyzed the results of the survey and took several immediate actions, including making clarifications and improvements to a number of existing policies and practices on the basis of the insights that emerged. In addition, the survey results highlighted three areas where Incofin felt that employee input and participation could be leveraged to develop solutions. Three internal working groups were launched in late 2022, composed of employees from across the organization, focusing on:

1. HEALTH AND FAMILY-FRIENDLY BENEFITS

To explore opportunities for tailoring benefit packages to the specific contexts and demographics of regional offices. This came out of the realization that different regions experience differently-sized gaps between Incofin's benefits package and the government-backed systems and policies that establish access and eligibility for parental leave, health insurance, and other social safety net support.

2. A NEW, FLEXIBLE WORKING MODEL

Based on the survey results which revealed that men and women had differing levels of satisfaction with Incofin's flexible working and return-to-office policies. Initially, Incofin had decided that staff should spend 2-3 days per week at the office based on survey results – but realized through qualitative feedback that this policy did not work equally well for everyone, especially those with longer commutes, parents of young children, and new parents.

3. REIMAGINING EXISTING CORPORATE OFFICE SPACES

Based on the realization, especially as a result of COVID-19, that current spaces are not fit for purpose, given the more flexible approach to allowing employees to work from home. The working group was tasked with providing recommendations for making office spaces more adapted to Incofin employees' needs, with recommendations to include space for new mothers to express milk and include a cafeteria on-site.

Incofin was encouraged by the level of interest and engagement from employees, not only in the nearly 100% response rate to the employee satisfaction survey, but also the level of participation in working groups, totalling over 15 employees. In addition, working groups were gender balanced, demonstrating that issues relating to work-life balance, flexible working, and family-friendly benefits are priorities for both men and women in the company. Incofin expects all working groups to make their final recommendations to leadership by 2023, with actions to be implemented over the course of 2023 and 2024.

Deploying gender training helped Incofin establish a common language for gender lens investing across a geographically dispersed and culturally diverse team

Incofin manages a number of funds, each with their own eligibility criteria, but none of which at the time of the engagement with Value for Women, had an intentional focus on gender impact. At the due diligence stage, most funds collect sex-disaggregated data on board, management and staff composition, customers (i.e. number of women clients, in the case of MFI investments), or producers (i.e. number of women farmers within cooperative membership or in the supply chain). Incofin also checks for the existence of inclusive HR policies (e.g. code of conduct, anti-discrimination policies).

"Every year we have updated numbers - we can see an evolution, and when there's a decrease there's a red flag - but perhaps we should look at it from the other direction - how much do we want to see change?"

– Fredrick Bennani, Investment Manager, Agro & Food, Incofin

When an investment opportunity reaches the investment committee, gender is one dimension that is considered, among others, to get an overall view of the expected impact of the investment. Investment teams have some level of discretion in their approach to conducting due diligence and evaluation, in terms of the impact-related questions they might ask of a potential investee and the qualitative insights they might highlight in the investment memo. In addition, many investment officers note that Incofin's proximity to leadership within portfolio companies can help drive change on gender and other impact lenses. Indeed, in some cases investees themselves may express a need or desire for support on gender inclusion internally - for instance to help increase women's representation in leadership roles.

Incofin found it challenging, at least initially, to retrofit existing funds and processes to include a gender lens, but there were some actions that Incofin identified that investment teams could take to encourage portfolio companies to go beyond minimum gender thresholds. Incofin was eager to equip staff with the right background knowledge to be able to hold gender-related conversations with investees. To this end, Incofin with VfW's support offered a training to its investment teams, across all funds and geographies, focusing on:

- Gender lens investing definitions and concepts
- The business and impact case for adopting a gender lens throughout the investment process
- Approaches and recommendations for talking to investees about gender inclusive business practices
- Case studies and practical resources to help investment officers apply what they learned to their origination, due diligence, and portfolio management strategies

Given the increasing demand coming from companies within its investment portfolios, Incofin also organized training for the Incofin Technical Assistance team. The training, led by VfW, focused on the business and impact case for embedding a gender lens in technical assistance engagements with portfolio companies, outlined two approaches to integrating a gender lens into Incofin's existing TA approach, and offered examples of common gender-lens TA strategies, and results thereof.

Finally, to help create a common language and foundational knowledge for gender lens investing at the senior leadership and Board levels, Incofin with VfW held two gender lens investing workshops. The first was aimed at Fund leadership teams and investment committee members to help establish a common understanding for what gender lens investing looks like. The second was held for Incofin's Supervisory Board members to introduce key gender lens investing definitions and trends, share relevant examples and case studies from Incofin peers, and encourage discussion on how Incofin could apply a gender lens to its current work and future funds.

Ultimately, providing training across all levels of the organization, including Fund asset owners, has enabled Incofin to continue building internal momentum for gender lens investing by outlining the options for embedding a gender lens in a more standardized way. This positions Incofin to go beyond just tracking gender metrics and start truly investing with a gender lens, with the objective of empowering women, in future funds.

KEY TAKEAWAYS

A number of lessons learned from these three investors' journeys, as well as Root Capital's ten years of experience building its Women in Agriculture Initiative, can help other investors get started on their own GLI journeys:

1. **Fund managers can take action on gender, even if existing funds' mandates have not explicitly included gender.** Leadership can focus on laying the groundwork internally, which helps position the organization to embed a gender lens into future funds. It's also an important way to demonstrate gender commitment to key stakeholders - by "walking the talk" on gender equality - meaning that investors are committed to addressing gender-related biases, barriers and opportunities throughout business operations, and not just at the portfolio level. This is something that Root Capital has implemented, alongside gender-focused actions on the lending side of the business. In 2018, it adopted a Gender Action Plan, which set out concrete activities to improve gender equity throughout the firm, including in hiring, communications and operational practices.

2. Onboarding staff onto a new way of thinking about investment opportunities, with a gender lens, does not happen overnight. **Investment teams especially must be equipped with the necessary tools and knowledge to help them engage with portfolio companies and potential investees on gender.** Root Capital, for instance, holds gender inclusion training at least once per year in all regional offices, and, importantly, includes all staff.

3. **Setting up a dedicated GLI working group can help create and maintain momentum for gender strategies.** GLI working group members should represent all key functional areas of the organization. It is important, though, for working group members to be given the necessary visibility and recognition internally to avoid burnout and/or deprioritization during busy periods.

4. **Partnering with a gender expert can help investors ensure that solutions are tailored to their specific needs.** The three investors showcased in this case study received dedicated support from Value for Women. There are a number of networks, such as 2X Global, through which investors can seek partners to offer support to adopt gender-inclusive practices.

Ready to get started with Gender Lens Investing, or to advance further if you've started?

Take a gender self-assessment designed for investors! Value for Women's **Gender Smart Nexus** is a 2X-aligned tool that provides investors with a holistic view of the gaps and opportunities for gender actions at different levels of the organization. Once the survey is completed, the tool automatically generates a report outlining concrete actions investors can take, based on their organizational priorities. This tool is free to use, and can be a great first step to open up a conversation internally on how to become a gender lens investor.

CONCLUSION

There is no one-size-fits-all approach to gender lens investing. Each investor in this case study started with the entry point that aligned most closely to existing organizational priorities:

- Alterfin leveraged existing senior leadership buy-in for GLI and set out to define its organizational gender strategy, with clear objectives and goals to work towards over the course of the next 3 years.
- Alterfin and Cordaid took actions to embed gender into their investment processes, in particular at the due diligence stage, to more intentionally direct capital towards investments that can deliver gender-related outcomes and thus ensure that investments are contributing to impact mandates and goals.
- Incofin focused on establishing the internal building blocks that will enable future gender lens investing actions by building internal capacity, generating buy-in for GLI at the highest levels of the firm, and implementing internal diversity and inclusion initiatives to meet its ambitious target of 50% women's representation at all levels by 2025.

The experience of these three global investors shows that there are multiple ways to get started in gender lens investing, or to make progress by becoming more intentional and tweaking existing processes. We invite other investors to consider how the examples and tools described here apply to your organizations, and how you could advance your business and impact priorities by applying a gender lens - and also to share your story when you do.