



Unlocking  
Gender-Smart Capital  
At Scale

# Latin America & Caribbean

GenderSmart Regional Brief  
January 2021



# Thank You to Our Supporters

## Founding Partner



## Momentum Supporters



## Velocity Supporters



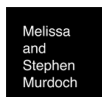
## Kinetic Supporters



## Magnifying Supporters



## Quantum Supporters



# LAC: State of the Field

**Gender lens investing is still nascent in Latin America. While there is potential throughout the region, with growing interest and gender lens activity, it's still not the highest priority for investors.**

## Demand

Higher rates of women entrepreneurship and smaller gaps in participation between men and women entrepreneurs in other regions make for an encouraging outlook. Women represent more than 40% of the region's economically active population, 17% of whom are entrepreneurs in the formal economy.

## Supply

In terms of supply of strategies, the biggest activity is in the private space, with access to finance being the key issue that players seek to address. While the microfinance sector is well developed, there is less support available to women who operate SMEs, although some innovative projects have been developed by banks and DFIs to tackle this (see p3)

## PE & VC

PE and VC activity is still in early development phases, yet there are examples of players using a gender lens approach to their portfolio (see page 4)

## Public Markets

There are fewer initiatives on the Public Market side. We have identified the issuance of 5 gender lens bonds to promote access to finance to women entrepreneurs.

While there are neither specific gender focus ETFs nor gender bonds issued to promote gender equitable corporate policies, there are sustainability indices that track gender metrics, allowing investors to learn more about corporate equality practices

## Snapshot

**\$93B**

Access to finance gender gap

**\$2.6T**

Potential GDP growth by 2025 if gender gap is bridged

**73%**

Women led SMEs that are closed due to lack of funding

**17%**

Regional gender pay gap accounting for same educational level

**21%**

Companies have a written gender equality policy

**63%**

Companies have said gender is not a strategic priority

## Market Gap and Potential

Mckinsey estimates that a **\$2.6trn GDP potential** for Latin America could be gained by 2025 if the gender gap is bridged.

**Women entrepreneurs are underrepresented.** Women-led companies tend to be less than half of all companies in acceleration programs and in fund portfolios.

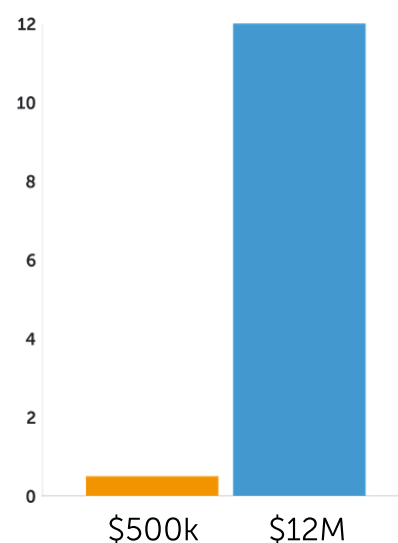
**Lack of financing and fear of business failure** are two main challenges for high-growth women entrepreneurs in Latin America. The credit gap in LAC is **\$5bn for women-led micro businesses** and **\$93bn for women-led SMEs**.

Latin America has the **second-highest rate of women discontinuing their businesses**. While men state this is due to poor financial profitability, women cite difficulty in obtaining financing as the main impediment to business continuity.

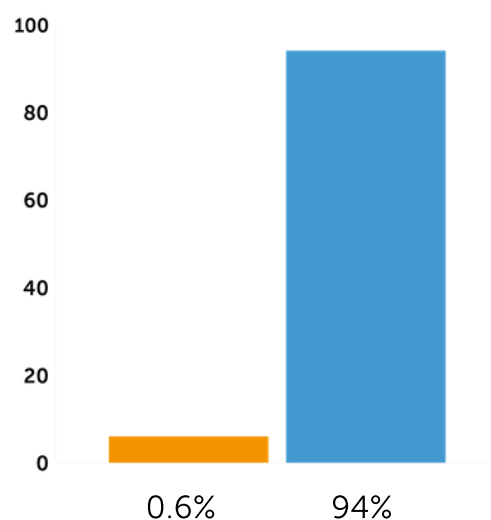
Cultural considerations and machista culture play a significant role among Latin women entrepreneurs as marriage is considered important in securing economic stability. The resulting low self-esteem and self-confidence contributes to the barriers to women entrepreneurs face.

**COVID is expected to widen the inequality gap and affecting vulnerable women disproportionately.** Recent estimates suggest that out of the people in LAC in the lower income bracket who have lost their jobs, 31% have been men and 46% have been women

**Average VC and PE funding for women-led and men-led companies**



**Percentage of VC and PE funding going to women-led and men-led companies**



**Source:**

Impact Investing with a Gender Lens in Latin America, Value for Women

# Access to Finance

**Access to Finance is often highlighted as the main barrier faced by women in the region. This is also where most Latam gender initiatives are currently taking place. Below are a few examples of key players in the region, as well as noteworthy initiatives.**

## Microfinance

Microfinance has a long tradition in the LAC region and is a well-developed sector. Some 1,000 microfinance institutions manage an estimated portfolio of US\$40bn, reaching 20 million low income clients, mostly women and people in rural areas (women represent 66% of borrowers). Although the sector is well established, gender lens investors have opportunities to support these organisations, bringing in new technologies to reduce costs. MFIs present a unique opportunity for blended finance; their financial sustainability, reach and convening power provide an excellent mechanism for concessionary capital to deliver critical services that may not be revenue generating.

## SMEs

A big gap in this sector is the transition of financing for businesses that go from microfinance to SMEs. Once women's business scale to SME level, the likelihood of funding from banks reduces significantly. A survey of 28% banks thought that the women-led SME market was underserved and only 33% of banks had sex-disaggregated data. This might help to explain why banks in the region struggle to develop products suited to women's needs, preferences and behaviour.

## Regional Players

### **ProMujer**

Dedicated to meaningfully improving the livelihood of women in Latin America through a combination of financial, health and educational services.

### **The IDB**

To date, it has supported 20 banks in 12 countries, approving nearly US \$800m in investments and US \$5m in technical assistance, to develop and market products and services for women-led MSMEs

### **Global Banking Alliance for Women**

worked with Itaú Unibanco Brasil to create the Mulher Emprendedora program, which provides capital and capacity building to women entrepreneurs. BHD Leon (also part of GBA) runs Mujer Mujer, a new initiative that adapts the bank's business model to women.

### **Women's World Banking**

Works with IDB group's MFI partners such as Interfisa Banco (Paraguay) to design products and services for rural women.



## Innovations

### WISE, Oxfam (Guatemala)



Supports loans to women entrepreneurs emerging from microfinance lending programs with businesses that show potential for further growth in partnerships with local institutions.

### Enclude



In Nicaragua, Enclude is testing an innovative loan structure variable payment obligation to help women-led SMEs who often lack fixed assets or loan guarantors. The program targets companies in the manufacturing and production sectors that are well integrated in the supply chain and require substantial capital injection to ensure further growth.

# Beyond Access to Finance

**Social inequality in LAC means that women with fewer resources are disproportionately underserved; gender violence is also widespread. Solutions addressing GBV, the care economy and femtech could therefore help unlock vast opportunities with a sustainable return.**

## Care Economy

Unpaid care and domestic work have been estimated to be worth 23% of GDP in Mexico and 20% in Colombia. Some investors and businesses are already creating business models that redress market inefficiencies in the care economy.

Zolvers, for example, is an Argentinian founded women-led business that connects clients with a network of domestic workers and services providers. The aim of the platform is to promote the formalisation of the workers and integrate them to national social security schemes

## Femtech

Femtech seeks to improve women's health outcomes and better meet their needs. While there has been significant increase of funding to the sector, the majority has financed innovations in developed rather than emerging. Some pioneers, like the Linked Foundation, are working to catalyse health access in the region.

## Violence

Gender-based violence (GBV) is an acute problem in the region and presents an opportunity for MFIs to join forces with GBV organisations. For example, Pro Mujer, a trusted financially sustainable organisation that delivers financial services, health and education to women throughout the region, is uniquely positioned to help address violence against women in partnership with other GBV actors. Similarly, this might attract other critical services such as business training, and sexual and reproductive health education.

## Key Barriers

### Violence

LatAm has for 14 of the 25 worst countries in the world for GBV. 70% of women in Bolivia have experienced violence (UN Women).

### Cultural Barriers

Child and elderly care and household duties place greater burden on female entrepreneurs. Gender norms inhibit women's education and economic empowerment.

### Sexual Harassment

Approximately 1/3 of examined countries do not have laws prohibiting sexual harassments at work. In Honduras, for example, 90% of women have reported suffering from harassment.

### Constraints for Finance

Key constraints include limited or no credit history, lack of collateral, constraints executing contracts without spousal permission, limited savings, limited info on female credit risk, and policy bias and discrimination.

### Limited Networks

Female business owners tend to know fewer entrepreneurs than male counterparts. They also have fewer role models and mentorship.

### Fair Pay and Leadership

In 18 countries in LAC, men earn 17% more than women despite having the same educational level. Women among board members and top management employees in LAC companies represent only 8.5% and 9.2% respectively.

# Private Equity/Venture Capital

**The VC and PE industries are still very young in the region but are growing very fast. Gender awareness currently is fairly low in the LAC investment industry, even amongst impact investors. Gender is a priority, perhaps due to the relative youth of the industry and the lack of the awareness of the benefits.**

## Gender Lens Funds: A Sample

Prior to 2018, there were no funds in LAC with a quantified gender mandate. However, some impact investment funds are gender-sensitive and conscious of the importance of gender diversity in their entrepreneurship portfolios.

### NXTP LABS (LAC-wide)

Invests in early stage tech. The portfolio has a new focus on women entrepreneur with 25% of investments in women founders. The fund is currently US \$120m

### New Ventures (Mexico)

In Partnership with Pro-Mujer is raising \$2m fund to support women social entrepreneurs with tickets of \$25k to \$200k

### NESsT

Impact investing fund with a presence in LAC that is increasing gender quality within its portfolio companies. Half of the jobs created by portfolio companies funded by NESsT have employed women and 70% of NESsT's portfolio SGBs have targeted women as employees, suppliers or clients.

### Elevar Equity (LAC-wide and India)

Has raised 4 impact investment funds across sectors (microfinance, education and agriculture). They have a 25% ratio of women founder/ co-founders in their portfolio. The portfolio companies have also a very strong representation of women in management teams (50%).

### Pomona Impact

Fully deployed \$2m fund of which 40% were women-led businesses. In 2019, it raised a second fund of \$35m in Central America and will incorporate a gender lens into its DD questions. It has also used gender sensitivity training to address unconscious bias.

### Acumen Latin America Early Growth Fund

\$28m fund investing in innovative companies that show resilience to the crisis. A gender lens is core to the investstrategy.



## Mobilisation Initiatives

- In 2018 IDB Invest and OPIC began the process of partnering to support Fund Managers with a gender mandate in LAC. Fund Mujer will support the IDB Group's ongoing work with weB, as well as the the recently launched OPIC 2X Women's Initiative which will mobilize more than \$1bn to projects that support women in developing countries.
- The Women Entrepreneurs Finance Initiative (We-Fi) is another initiative looking to open new doors for women entrepreneurs across the developing world. With funding of \$354 million from 14 governments, this collaborative partnership among governments, multilateral development banks, and other stakeholders has been designed to unlock financing for women-led/owned businesses in developing countries

## Accelerators

Capacity building for women entrepreneurs is essential to overcome the barriers they face and provide a more balanced and diverse pipeline for investors. The appendix below includes a few examples of innovative training and development centres.



# Public Market Strategies

**Public market strategies can be used to promote more equitable gender corporate policy - an area that needs significant work in the region. There are fewer public markets gender lens initiatives in LAC; neither specific ETFs with a gender focus nor gender bonds that promote gender equitable corporates policies.**

## Gender Bonds

Over the last few years, there have been new products explored to increase capital for women clients in LAC, including, women owned SMEs, such as bonds to support women entrepreneurs that draw upon lessons learned from green sustainable bonds.

### Banco Estado (Chile)

launched in 2016 the first-ever social bond with a women entrepreneur focus by a Chilean bank of US\$94.2m. A second bond of \$147m was issued in 2017. Proceeds are directed back into BancoEstado's Crece Mujer Emprendedora program which has a strong track record of serving women customer and business owners.

### Banking on Women (BoW)

The IFC launched the Banking on Women (BOW) Bond Program in 2013. The LAC region accounted for 28% of the disbursements of proceeds. The bonds were placed by DAIWA Capital Markets and sold to Japanese investors.

### Bancoldex

A state owned development bank in Colombia that has issued multiple social bonds. Proceeds finance and refinance expenditures related to micro and enterprise financing, with the aim of promoting financial and workforce inclusion, gender equality and local economic development.

### Davivienda (Colombia)

Issued a \$100m 7-year gender bond in 2020 structured by the IDB invest. This is the first gender-focused social bond in Latin America. The proceeds, acquired in full by IDB invest, will be exclusively used by the issuer to finance the growth of its women-led SMEs portfolio as well as the purchase of social interest houses by women in Colombia. A similar structure took place in Panamá, where Banistmo issued a \$50m 5 year social gender bond in Panamá. The bond was structured and acquired by IDB Invest.

### Banco do Brasil DTVM (Brazil)

No details available

## Sustainability Indices and Gender Indicators

Sustainability indices provide a platform for investors to learn more about corporate gender equality practices.

### Tradable LAC Indices including gender indicators:

- The Dow Jones Sustainability Index for MILA (Mercado Integrado Latinoamericano)
- Mexico IPC Sustainable Index
- Brazil ISE Corporate Sustainability index
- Chilean Sustainability Index

### Non Tradable LAC Indices including gender indicators:

IndexAmerica- created by the IDB and IDB Invest in partnership with S-Network Global Index recognises the 100 most sustainable publicly traded companies operating in the region. This index applies social indicators to evaluate corporate activities that reduce poverty, improve social wellbeing, and advance equitable employment opportunities with a special focus on vulnerable groups like women, indigenous communities and minority groups.

# Appendix: Selection of Gender Lens Impact Investing Players in LAC

## Investment Funds

### LAC As Main Focus

- [Acumen Latin America Early Growth Fund](#)
- [Altra Investments](#)
- [Catalyzer](#)
- [Deetken Impact](#)
- [Glassroots Business Fund](#)
- [Elevar Equity](#)
- [Mas Equity Partners](#)
- [NESsT](#)
- [New Ventures Mexico](#)
- [NXTP LABS \(LAC wide\)](#)
- [Pomona Impact](#)
- [Pro Mujer](#)

### Global with exposure to LAC

- [Advance Global Capital](#)
- [Aiim](#)
- [Alphamundi](#)
- [Calvert Impact Capital](#)
- [DWS](#)
- [Fledge](#)
- [Global Partnerships](#)
- [Linked Foundation](#)
- [MCE Social Capital](#)
- [Mercy Corps Ventures](#)
- [MiLa Capital](#)
- [Nia Impact Capital](#)
- [Quona Capital](#)
- [Root Capital](#)
- [SEAF](#)
- [Tara Health Foundation](#)
- [VilCap Investments](#)

### Accelerators

- [Academy for Women Entrepreneur \(AWE\)](#)
- [Agora Partnerships](#)
- [Alterna](#)
- [Dalia Empower](#)
- [Fundacion WWB Colombia](#)
- [Impulsa tu empresa](#)
- [New Ventures](#)
- [NXTP Labs](#)
- [Red Mujer Emprendedora](#)

## Sources

### Primary

Value for Women. [Impact investing with a Gender Lens in Latin America](#)  
IADB and ESADE. [Gender Lens Investing: How Finance can accelerate Gender Equality in Latin America and the Caribbean?](#)

### Secondary

- SOCAP. [Moving the Needle: SME Financing in Emerging Markets](#)
- IFC [Gender Work](#)
- Goldman Sachs. [Giving credit where it is due](#)
- Financial Alliance for Women. [WEGrow: Unlocking the Growth Potential of Women Entrepreneurs in Latin America and the Caribbean](#)



# Notes and Acknowledgements



**This brief was written for anyone working or investing in Latin America and the Caribbean, in advance of the GenderSmart regional deep dive discussion in January 2021. It is designed as a snapshot, to provide context and a springboard for discussion, and is not intended to be exhaustive by any means. There are many other noteworthy ecosystem actors not mentioned.**

In particular, we want to acknowledge the organisations who work on gender issues in the region and have contextual expertise relevant to gender-smart investing. They have been omitted from this and other regional briefs for the sake of brevity, but leaders in these organisations are not often invited, resourced or equipped to be at the table in investment decision making or investment conversations. Good gender lens investors want to include, wherever possible, data and insights from key women's rights or civil society organisations regarding gender patterns relevant to those investments. In developing local ecosystems, it is important to build opportunities for and ability of these organisations to do gender analysis of markets, to provide relevant technical assistance to investors or their investees and to determine how specific gender patterns inform risks and opportunities in investments. Criterion Institute is writing a brief to help investors understand how to find and work with such organisations. Stay tuned for that release.

Thank you to the numerous contributors to this brief: Maria Cavalcanti at Pro Mujer, Diana de Castro at Ascenda, Ana Nadal, and Yuri Soares at IDB Lab. Additional guidance and edits were provided by Sana Kapadia and Suzanne Biegel at GenderSmart.