

DEVELOPMENT CO-OPERATION DIRECTORATE

Blended finance for gender equality and the empowerment of women and girls

This paper presents the results from the 2020 round of the OECD Blended Finance Funds and Facilities Survey, which for the first time included questions on cross-cutting development topics – including gender equality and the empowerment of women and girls.

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Abstract

This paper presents the results from the 2020 round of the OECD Blended Finance Funds and Facilities Survey (OECD, Forthcoming^[1]), which for the first time included questions on cross-cutting development topics – including gender equality and the empowerment of women and girls. The 198 survey respondents represented a total of USD 75 billion in investments for development. By attracting large volumes of private capital, blended finance funds and facilities have the potential to mobilise more financial resources for gender equality and the empowerment of women and girls, helping to deliver on the 2030 Agenda and the Sustainable Development Goals. The paper brings fresh evidence on the latest trends among blended finance vehicles in the area of gender equality and the empowerment of women and girls.

Foreword

This paper brings fresh evidence on the latest trends among blended finance vehicles in the area of gender equality and women's empowerment. It builds on the results from the 2020 round of the OECD Blended Finance Funds and Facilities Survey (OECD, Forthcoming^[1]), which for the first time included questions on cross-cutting development topics – including gender equality. The 198 respondents represented a total of USD 75 billion in investments for development.

This paper, a joint product of the OECD Development Co-operation Directorates' *Private Finance for Sustainable Development* and *Gender Equality and Women's Empowerment* teams, is a first step towards strengthening collaboration between these two communities.

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Executive summary

As the COVID-19 pandemic risks reversing hard-won development and gender equality gains, investing with a “gender lens” is both the right and a smart thing to do. Gender lens investing (GLI), which initially emerged from the impact investment¹ movement, implies deliberately incorporating a gender analysis into a financial analysis, in order to achieve better outcomes, and ultimately, long-term development impact for women and girls (VERIS Wealth Partners, 2018^[2]). Most definitions and criteria for GLI revolve around investing in women-owned or women-led enterprises; investing in enterprises that promote workplace equity (in staffing, management, boardroom representation, and along their supply chains); and/or investing in enterprises that offer products or services that substantially improve the lives of women and girls (Global Impact Investing Network, n.d.^[3]).

By attracting large volumes of private capital, blended finance funds and facilities (referred to here as blended finance vehicles) have the power to mobilise more financial resources for gender equality and the empowerment of women and girls, helping to deliver the Sustainable Development Goals (SDGs). While Development Assistance Committee (DAC) members committed a total of USD 53 billion in official development assistance (ODA) on average per year in 2018 and 2019 for gender equality (OECD.Stat, 2018^[4]) (OECD, 2021^[5]), funding shortages remain significant; this still falls short of half of overall bilateral allocable aid. With the potential to produce much-needed social and financial returns post-COVID-19, blended finance strategies can complement official flows and help address this gap.

The paper highlights good practice examples of blended finance vehicles² that could be replicated to mobilise private investment with a view to advancing gender equality. However, going forward, DAC members need more evidence as to how blended finance can increase financial resources deployed to meet international development commitments in these areas.

Key findings

- Of the blended finance vehicles surveyed, 84% claim to integrate gender equality into their investment strategy, 8% reported an investment strategy dedicated to advancing gender equality and women’s empowerment as the main objective of the investment, and 8% do not identify gender equality as an objective when designing their investment strategy.
- Out of the financial assets under management (AUM), 1% are dedicated to gender equality as the main objective (USD 1 billion), 65% integrate gender equality as a mainstreamed objective (USD 49 billion) and 33% does not identify gender equality as an objective (USD 25 billion).

¹ The OECD defines [social] impact investment as “designed to improve well-being as well generate financial return”

² Blended finance vehicles can be understood as single investment entities that aggregate capital from multiple (public and private) investors

- The most common reason cited for dedicating a blended finance vehicle to gender equality amongst investors was the “potential for return enhancement”. Investors recognise that women-led firms can outperform and have higher returns than those led by men.
- For vehicles that integrated a gender equality, “responding to Agenda 2030” or gender equality being a “part of organisational priorities” were cited as the main reasons for mainstreaming gender equality.
- Blended finance vehicles integrating gender equality span many sectors, including energy, transport, banking and environment, pointing to opportunities for addressing gender equality in a wide range of investment areas. Of the blended finance vehicles dedicated to advancing gender equality and women’s empowerment, 25% invest predominantly in agriculture, 19% in banking and financial services, and 13% in education.

The way forward

- There is room for the development finance community to strengthen the focus on gender equality in large blended finance projects, including infrastructure investments and climate finance.
- Financial actors need to ensure better integration of gender equality throughout the investment cycle, from due-diligence to exit. This should include more transparency and better reporting of development impact results. At present, more than 30% of blended finance vehicles dedicated to gender equality and 60% of blended finance vehicles that mainstream gender equality do not report transparently on the impact of their investments.
- The main challenges blended finance vehicles experience with regards to measuring the development impact of their investments derive from client declarations and a resultant lack of sufficient data.
- Development partner governments play a catalytic role in blended finance vehicles and can help advance gender equality. Governments and development agencies are the main investors of blended finance vehicles with a gender equality focus, representing over 62% of the capital of vehicles which integrate gender equality. The share of government and development agency capital in blended finance vehicles dedicated to gender equality is even higher, at 77%.
- In a world characterised by a pandemic-induced scissoring effect of declining budgets and increasing development needs, scarce concessional resources need to be used strategically to mobilise private sector resources at a greater scale, and contribute to advancing sustainable development through support for gender equality and women’s empowerment.

1 Introduction

1.1. Investment in gender equality is a key driver of social and economic development

Not only is the commitment to the gender equality and women's empowerment enshrined in a stand-alone goal, SDG 5, it is integrated throughout the 2030 Agenda's 17 Sustainable Development Goals (SDGs) (United Nations, 2015^[6]). Elsewhere, the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) (United Nations, 1979^[7]), and the Beijing Declaration and Platform for Action (United Nations, 1995^[8]) highlight the importance of gender equality. Evidently, gender equality is a recognised enabler and driver for sustainable development. It is also about ensuring human rights.

However, the pervasive and ongoing effects of the COVID-19 pandemic risk reversing hard-won development and gender equality gains. A primary consequence is the fact that women's dominant role in the health sector and as caretakers has resulted in greater exposure to the virus itself. Not only are women more at risk of infection, but secondary impacts, including resource reallocation away from reproductive and maternal health centres, also hold the potential to negatively impact women even further (OECD, 2020^[9]). Other identified secondary impacts of the pandemic include the recorded rise in gender-based violence since the outbreak in 2020 (OECD, 2020^[10]). In addition, COVID-19 has disproportionately affected women's status as economic actors. For instance, a recently published UN Women report found clear evidence that women's unpaid care work burden has increased as a result of COVID-19 (UN Women, 2020^[11]), and there is a mounting body of work that indicates the pandemic has created additional challenges in girls' access to education (Pfunye and Ademola-Popoola, 2021^[12]). Across developing countries, women are predominantly engaged in the agriculture and informal sectors, both of which have been severely affected by COVID-19 (Zeufack et al., 2020^[13]). In South Asia, for example, 80% of women in non-agricultural jobs are in informal employment; in sub-Saharan Africa, this figure stands at 74% (UN Women, 2020^[14]).

One way of supporting the emergence of more resilient post-crisis economies is to ensure development finance investments in gender equality and the empowerment of women and girls.

At the same time, development actors interested in improving the economic situation of women, i.e. ensuring no one is "left behind", also need to take into account the other social markers of inequality which *intersect*³ with gender, including (but not limited to) race, sexual orientation and disability.

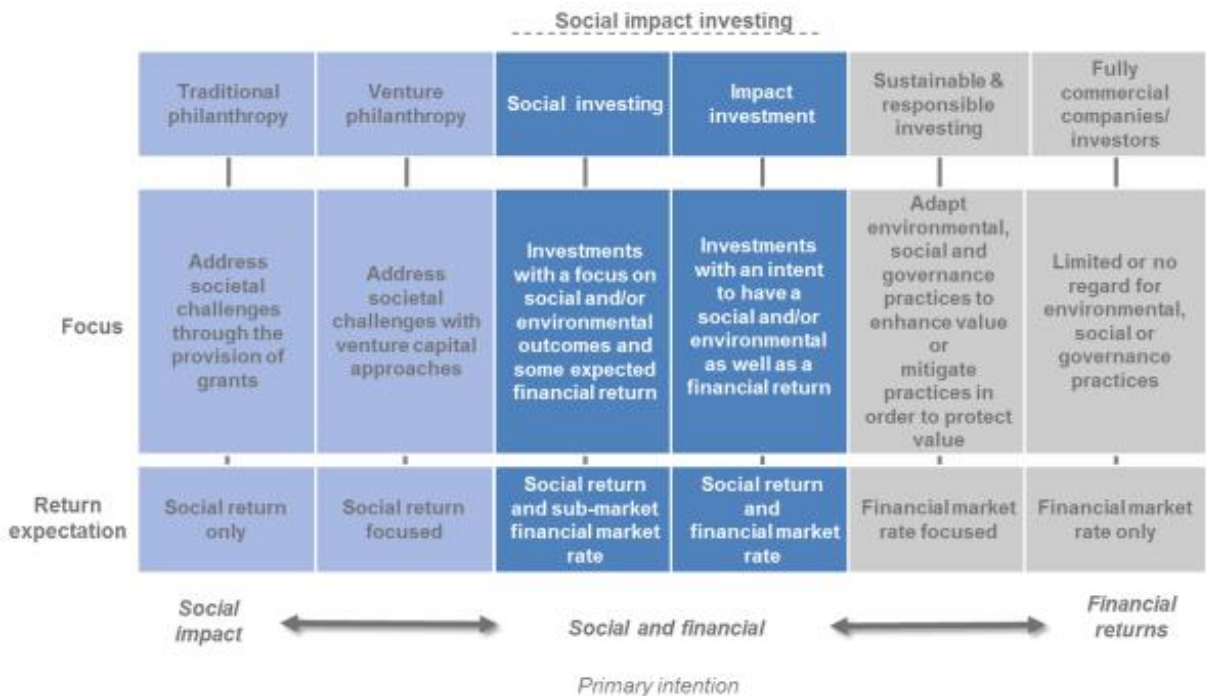
³ For more information on intersectional feminist theory, please see <https://www.unwomen.org/en/news/stories/2020/6/explainer-intersectional-feminism-what-it-means-and-why-it-matters>

Gender lens investing, which was first coined in 2009 and initially emerged from the impact investment movement, involves deliberately incorporating a gender analysis into a financial analysis in order to get better outcomes, and, ultimately, development impact for women and girls (VERIS Wealth Partners, 2018^[2]). Most definitions and criteria for GLI revolve around investing in women-owned or women-led enterprises; investing in enterprises that promote workplace equity (in staffing, management, boardroom representation, and along their supply chains); and/or investing in enterprises that offer products or services that substantially improve the lives of women and girls (Global Impact Investing Network, n.d.^[3])

By attracting large volumes of private capital, blended finance funds and facilities (referred to here as blended finance vehicles), have the power to mobilise more financial resources for gender equality and the empowerment of women and girls, helping to deliver the SDGs.

As outlined in the OECD’s Social Impact Investing Report (OECD, 2019^[15]), an increasing number of private sector actors are engaging in SDG-related investments. Although traditional commercial investors remain primarily interested in profit, and development actors tend to be more preoccupied with development results, the lines are becoming more and more blurred. For instance, on one side of the spectrum (outlined in Figure 1.1 below), traditional philanthropic bodies are moving away from a narrow focus on grants, and towards greater use of investment models designed to achieve both financial sustainability and development returns. On the other side, mainstream investors are demonstrating a greater appetite to invest in projects for people and the planet, as well as financial returns (OECD, 2019^[15]). This trend follows the adoption of the Addis Ababa Action Agenda (AAAA) in 2015, which compels development partners and governments across the world to commit to new forms of financing sustainable development.

Figure 1.1. The Spectrum of Capital



Source: OECD (2019^[15]), *Social Impact Investment 2019: The Impact Imperative for Sustainable Development*, <https://doi.org/10.1787/9789264311299-en>.

Specific investments in gender equality and women's empowerment are key drivers of both macro social and economic development. The World Bank estimates foregone global wealth due to the persistence of gender inequalities to be in the region of USD 160.2 trillion (OECD, 2020^[16]), and, as such, the achievement of the 2030 Agenda depends on tangible progress towards securing gender equality and women's empowerment. Investments with a gender focus bring social, economic and financial returns, and stimulate higher rates of gross domestic product (GDP) growth, higher productivity and rising wages (Skonieczna and Castellano, 2020^[17]). This is supported by research undertaken by the McKinsey Global Institute, which estimates that the world economy could gain up to USD 28 trillion in annual global GDP in 2025 by eliminating the global gap between men and women in terms of labour force participation, hours worked and a reasonable sector mix of employment (Gender Smart Investing, 2021^[18]). Likewise, OECD research highlights that half of the growth in GDP per capita in OECD countries 1960-2010 can be attributed to educational attainment, especially among women (OECD, 2020^[16]).

Investments in gender equality also have the potential to deliver important social and economic benefits at the micro level. Findings from a study undertaken by Calvert Impact Capital, analysing 160 borrowers from around the world revealed that, over the course of 11 years⁴, companies with more women in leadership positions performed better in terms of return on sales, return on assets and return on equity (Kumbuli, Moran and Pryce, 2018^[19]). Emerging evidence also finds positive correlations between firm performance and gender diversity at the board level, especially in high-tech manufacturing and knowledge-intensive services. Likewise, gender diversity on boards of banking supervision agencies is linked to greater financial stability; in other words, a lower proportion of non-performing loans and greater resistance to stress (Dabla-Norris and Kochhar, 2019^[20]).

While the advantages of financing women-led businesses are clear, in comparison to their male counterparts, women entrepreneurs across the world have less access to finance⁵. Instead, they often have to rely on personal savings and spousal funds. The International Finance Corporation (IFC) estimated that more than 70% of women-owned small and medium-sized enterprises (SMEs) have inadequate or no access to financial services (IFC, 2021^[21]). Added to this, recent figures reveal that women-led start-ups received just 2.3% of venture capital funding in 2020, a drop of 0.5% from the previous year (Bittner and Lau, 2021^[22]). At the same time, research demonstrates that women entrepreneurs in developing countries are both less likely to both take out a loan and have less favourable terms (Siba, 2019^[23]).

While there is increasing recognition that “gender-smart” or “gender-lens investing” (GLI) is simply “good” investing, funding for SDG 5 continues to fall short. On average for 2018-19, while integration of gender equality objectives showed signs of becoming more mainstream within official development assistance (ODA) investments at 40%, just 5% of ODA was deployed to programmes dedicated to gender equality as the main objective (OECD, 2021^[24]). In particular, aid for women's economic empowerment remains low, with only 2% of aid in the economic and productive sectors dedicated to gender equality (OECD, 2021^[25]). GLI has been defined as deliberately incorporating a gender analysis into a financial analysis in order to achieve better outcomes and, ultimately, development impact, for women and girls (VERIS Wealth Partners, 2018^[2]). Most definitions and criteria for GLI revolve around investing in women-owned or women-led enterprises; investing in enterprises that promote workplace equity (in staffing, management, boardroom representation, and along their supply chains); and/or investing in enterprises that offer

⁴ The Calvert Impact Capital Portfolio is split across North America, Central America & the Caribbean, sub-Saharan Africa, South America, South Asia, East Asia & Pacific, Middle East & North Africa, as well as Russia & Independent States and Europe. For more information, please see <https://calvertimpactcapital.org/investing/portfolio/community-investment-note-portfolio>

⁵ Across the world, 65% of women have a formal bank account at a financial institution versus 72% of men (Demirgüç-Kunt, 2018^[70]). IFC also reports on the funding gap to women-owned micro-small and medium-sized enterprises, largest in East Asia and the Pacific, the Middle East and the North Africa Region, Eastern Europe and Central Asia (IFC, 2017^[71]).

products or services that substantially improve the lives of women and girls ((Global Impact Investing Network, n.d.^[31]).

The IFC estimates that only 7% of total private equity and venture funding in emerging markets is targeted towards female-led businesses (IFC, 2019^[26]). Overall, little data exists on gender financing gaps, and the information is relatively hard to find.

The foundational document for work on gender equality – the Beijing Declaration and Platform for Action – outlined gender mainstreaming as its primary strategy (UN Women, 1995^[27]). Two years following the Beijing Declaration, the United Nations’ Economic and Social Council defined gender mainstreaming in its agreed conclusions as “the process of assessing the implications for women and men of any planned action, including legislation, policies or programmes, in all areas and at all levels” (ECOSOC, 1997^[28]). The DAC also adopted this position in its 1999 *Guidelines for Gender Equality and Women’s Empowerment* (OECD, 1999^[29]).

A broad consensus soon emerged within the gender community around the need for a “twin-track” approach, which complements mainstreaming with dedicated approaches, focussed on gender equality as the main objective. In practice, this “combines stand-alone programmes on gender equality with approaches that mainstream gender” (OECD, 2015^[30]). Likewise, the OECD Toolkit for Mainstreaming and Implementing Gender Equality asserts that “strategic planning for gender equality involves a dual approach, including mainstreaming gender in the design, development, implementation and evaluation of all public policies and budgets, alongside targeted actions to eliminate gender discrimination and enable progress in specific areas” (OECD, 2015^[30]).

As well as different approaches, there are also different areas of gender equality for women’s economic empowerment that investors can target. For example, investors could target aforementioned imbalances regarding access to finance, or invest in women-led enterprises. For example, the African Development Bank has approved a Gender Equality Trust Fund and Risk Sharing Mechanism in an attempt to address this gap. As part of the African Development Bank’s “Affirmative Finance Action for Women in Africa”, the first transaction (implemented by the African Guarantee Fund) will direct up to USD 2 billion to underwrite financial institutions’ lending to SMEs (The Africa Report, 2021^[31]). Elsewhere, although it retains a primary focus on multinationals, a recently published United Nations Conference on Trade and Development report highlights lessons for organisations more generally on how to promote gender equality practices in developing countries. The report found that in Bangladesh, multinationals’ downstream business partners in the textile and garment industry have 50% more female administrative employees (UNCTAD, 2021^[32]). Likewise, development actors and their private sector partners can choose to invest in enterprises that actively promote gender equality.

Box 1.1. The DAC Gender Equality Policy Marker

The Development Assistance Committee's (DAC) Gender Equality Policy Marker is a qualitative instrument used to track financing and programmes for gender equality. DAC members and several other development actors report their development finance flows to programmes committed to gender equality and women's empowerment to the OECD. Through a three-point scoring system, the DAC Gender Equality Policy Marker distinguishes between aid deployed with a "principal" or primary gender equality objective, and aid with a "significant" or secondary gender equality objective (OECD, 2020^[16]).

The DAC Gender Equality Policy Marker assigns projects/programmes a score according to the degree of gender integration within the strategy. Table 1.1 outlines the three levels of the scoring system.

Table 1.1. DAC Gender Equality Policy Marker scoring system

NOT TARGETED (SCORE 0):	The project/programme has been screened against the marker but has not been found to target gender equality.
SIGNIFICANT (SCORE 1):	Gender equality is an important and deliberate objective, but not the principal reason for undertaking the project/programme.
PRINCIPAL (SCORE 2):	Gender equality is the main objective of the project/programme and is fundamental in its design and expected results. The project/programme would not have been undertaken without this gender equality objective.

Source: OECD (2016^[33]), *Handbook on the OECD-DAC Gender Equality Policy Marker*, <https://www.oecd.org/dac/gender-development/Handbook-OECD-DAC-Gender-Equality-Policy-Marker.pdf>.

The OECD paper "Putting finance to work for gender equality and women's empowerment: The way forward" called for action on three complimentary and mutually reinforcing fronts: 1) do no harm to gender equality as a minimum step; 2) mainstream gender equality; and, where possible, 3) dedicate support for gender equality and women's empowerment (OECD, 2020^[16]).

* More information on the DAC Gender Equality Policy Marker can be found in the OECD Handbook (2016^[33]).

In addition to ODA, private philanthropy constitutes a growing percentage of overall financing for gender equality and women's empowerment. On average 2018-19, 31 foundations working for development reported data on their investments for gender equality using the DAC Gender Equality Policy Marker. The bulk of philanthropic flows reported to the OECD are grants delivered through national or local civil society organisations (CSOs). Of the 31 foundations, 25% of financing was either mainstreamed, or dedicated to gender equality and women's empowerment (OECD, 2021^[24]). Support for reproductive health and population policy tends to dominate the sectoral focus of private philanthropy.

Elsewhere, research suggests that development finance institutions (DFIs) – specialised development organisations usually majority owned by governments – view gender equality and women's empowerment as increasingly central to their investments. As a collective, the European DFIs are publicly committed to promoting equal opportunities for women and men in the workplace, as well as broader commitments, such as access to finance for female entrepreneurs and access to services for women (EDFI, FMO, 2019^[34]). Elsewhere, the 2X Challenge calls for DFIs to join together to collectively mobilise investments

that provide women in developing country markets with improved access to leadership opportunities, quality employment, finance, enterprise support, and products and services that enhance economic participation and access (2X Challenge, 2021^[35]). Initially launched in 2018 to unlock resources towards advancing women's economic empowerment and gender equality, 2X Challenge is currently seeking to raise at least a further USD 15 billion by the end of 2022. To qualify for the 2X Challenge, an investment must already meet, or have an explicit commitment to meet, at least one of the following criteria: entrepreneurship, leadership, employment, consumption or investments through financial intermediaries.

The DFI move to adopt more of a gender-lens focus reflects not only strategies to improve financial performance, but also a desire to improve the management and measurement of development impact. The drive to measure that the gendered impact of investments is articulated not only by the 2X Challenge, but in the Global Impact Investing Network (GIIN)'s Gender Lens Impact Theme and Working Group - part of its IRIS+ system. Closely linked to this, the recently launched Joint Impact Indicators (JII) provide gender-specific indicators on the number of women in senior management, the number of women on the board, the number of investment committee members who are female and the number of female-founded enterprises (IRIS+, HIPSO, 2021^[36])

The mobilisation of greater volumes of financial resources, while not an end-goal in itself, provide a necessary foundation to ensure capacity to identify and develop relevant policies and strategies for gender equality; undertake gender analysis; set up partnerships and implement development programmes with the necessary technical expertise, and undertake evaluations and ensure accountability. This paper retains a relatively narrow focus on the issue of financial resources and mobilisation. Issues such as organisational capacity, accountability and power imbalances - while essential to address gender inequalities - are beyond the scope of this study and paper. However, other OECD work, such as the *Guidance on gender equality and the empowerment of women and girls* (OECD, forthcoming) addresses these themes.

1.2. Blended finance for gender equality

Blended finance is a financing approach in the development co-operation toolkit that aims to attract commercial capital towards development projects. In this sense, blended finance programmes can contribute to gender equality while providing financial returns to investors. The OECD defines blended finance as “the strategic use of development finance for the mobilisation of additional finance towards the SDGs in developing countries”, where “additional finance” refers primarily to commercial finance that does not have an explicit development purpose, and “development finance” includes both concessional and non-concessional resources (OECD, 2018^[37]).

Blended finance represents a dynamic strategy with the ability to help fill the gender financing gap. Delivering on international gender commitments requires development co-operation providers to explore private sector engagement approaches, like blended finance, with greater drive and purpose. Of course, ODA will continue to provide a vital source of funding for gender equality and women's empowerment, particularly in least developed countries (LDCs). However, the current gender funding gap remains insurmountable for ODA-alone. This is where blended finance strategies can step in; they hold the power to mobilise much-needed funding flows and help fill the gap. In addition, OECD data shows that private finance mobilised by official development finance interventions maintains an overall positive trajectory. For instance, 2012-2018, an overall figure of USD 205.2 billion was mobilised from the private sector, with USD 48.5 billion mobilised in 2018, a 28% increase with respect to 2017. However, preliminary data for 2019 places the figure in the region of USD 47.1 billion, an 11% decrease with respect to 2018. It is worth underlining that this decrease occurred before the COVID-19 shock, which will likely affect the 2020 figures. However, what we can derive from this data is that , private finance remains a long way from bridging the SDG financing gap, predicted to rise by 70% in 2020 alone (OECD, 2020^[38]).

Of all the blended finance approaches used to alter the risk-adjusted returns of investments and crowd-in commercial finance, guarantees proved to be the instrument that mobilised the most private finance from development finance, followed by syndicated loans and direct investment in companies and special purpose vehicles (Garbacz, Vilalta and Moller, 2021^[39]). The next chapter, an overview of blended finance vehicles with a gender equality focus, examines guarantees in more depth, in particular the Women's Livelihood Bonds 1&2.⁶

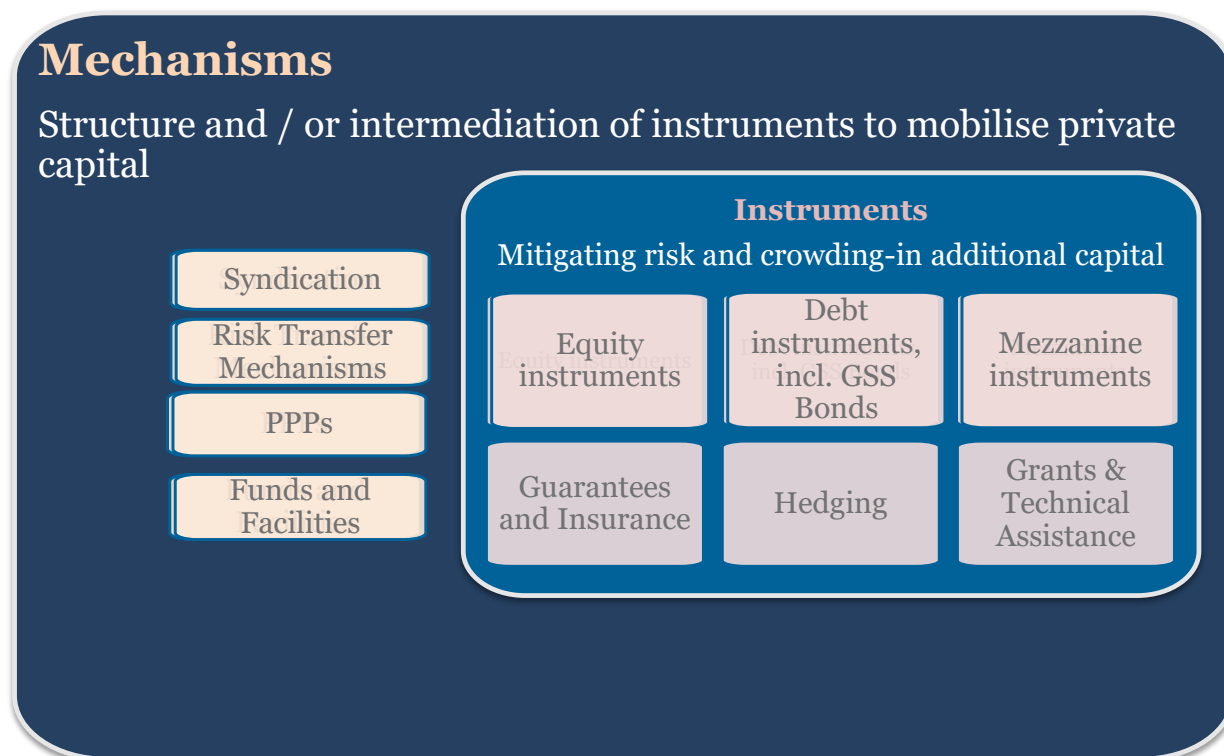
Blended finance is not an asset class in itself. Rather, it is associated with a mix of different financial instruments. An effective blended finance transaction should structure and/or calibrate traditional financial instruments in order to address investors' concerns regarding the risk-return profile of investment opportunities in developing countries. Given the significant SDG financing gaps in developing countries (pre-pandemic this stood at an estimated USD 2.5 trillion annually, in 2020 it was predicted to rise by USD 1.7 trillion, or 70% (OECD, 2020^[38])), more financial resources will be required. Blended finance, which is an approach that mixes different forms of capital to support sustainable development, is becoming an established solution to help the development community mobilise much needed private finance and deliver international commitments.

Blended finance can operate on both ends of the risk-return spectrum. For instance, one application of blended finance is to de-risk projects by providing guarantees or grant funding. Alternatively, subordination mechanisms and other instruments that enhance the capital structure of a project or portfolio of projects may lead to enhanced returns. These enhanced returns serve to compensate commercial investors for taking on a high level of risk. Several financial instruments can be used in blended finance to address the risk-return profile of investments. These include direct investments (debt, equity and mezzanine investments), credit lines, bonds, currency hedging, political risk insurance, as well as grants and technical assistance.

Blending can entail the structuring of one or several instruments together, including through the use of blended finance funds and facilities, also known as blended finance vehicles. Blended finance transactions can include the use of financial instruments to crowd-in commercial investments, as well as mechanisms to structure or intermediate instruments with the same purpose (Figure 1.2). Rather than investing directly in a corporate entity or a project, investors can invest via blended finance vehicles that pool the resources of different actors. Investors then own equity of the fund or facility. The funds are directed to specific investment segments, such as climate finance or women-led SMEs and may invest in both projects and companies depending on their strategy. Such funds have the flexibility to devise different types of instruments, including equity, debt or guarantees, and project support via technical assistance.

⁶ it is also worth consulting the OECD's publication on 'The role of guarantees in blended finance', for a more general overview; this paper focuses on the development of guarantees as an instrument in the blended finance toolbox, arguing that there may be significant scope for more and improved use of guarantees (Garbacz, Vilalta and Moller, 2021^[39]).

Figure 1.2. Blended finance mechanisms



Source: OECD (2018_[40]), *Making Blended Finance Work for the Sustainable Development Goals*, <https://doi.org/10.1787/9789264288768-en>.

Blended finance vehicles represent one method of blending. These collective investment vehicles can target specific investment segments, such as gender-lens investing and SMEs, using different types of instruments (e.g. debt, equity or technical assistance). Collective investment vehicles pool finance and divide into two categories: funds and facilities. A fund, for example, is a pool of capital comprised of both development and commercial resources. Funds provide financing to direct investees (projects and companies) or indirect investees (credit lines and guarantees) that provide on-lending (Basile and Dutra, 2019_[41]). It is worth noting that funds have accounted for the largest share of blended finance transactions. Structured funds, in particular, allow development partner governments to use concessional finance in a first-loss position to provide a risk cushion for commercial investors. On the other hand, a facility is an earmarked allocation of public development resources (sometimes including support from philanthropies), which can invest in development projects through a range of instruments with the purpose of mobilising additional finance (such as commercial) through its operations (Basile and Dutra, 2019_[41]).

Box 1.2. Example: Credit lines, Women Entrepreneurs Opportunity Facility

The Women Entrepreneurs Opportunity Facility (WEOF) is a first of its kind global facility dedicated exclusively to promoting access to finance for women-owned small and medium-sized enterprises (WSMEs) in developing countries. Launched in 2014 by the International Finance Corporation (IFC), in partnership with Goldman Sachs' 10,000 Women initiative, WEOF provides investment and advisory support in line with blended finance principles, enabling local financial institutions to scale up their services to the WSME segment.

WEOF seeks to expand and deepen financing for WSMEs in developing countries, empowering women entrepreneurs through access to capital and expertise, and to demonstrate the commercial viability of investing in women (IFC, Goldman Sachs, 2019^[42]) (Goldman Sachs, 2021^[43]). It also contributes to the development of innovative financing instruments. Through WEOF, the first-ever private sector gender bond for emerging markets, based in Turkey and issued by Garanti BBVA, was created. Earmarking all finance raised for on-lending to Garanti Bank's WSMEs, it is believed to be a replicable model for other markets. WEOF also launched the world's first gender trade finance initiative, the Global Trade Finance Program, which empowers banks to increase trade finance to WSMEs in emerging markets.

The IFC provides investments and expertise to financial intermediaries, which offer financial services to WSMEs. It invested an initial USD 100 million and managed WEOF (IFC, 2021^[44]). The Goldman Sachs Foundation is the second key stakeholder, and provided USD 32 million of anchor commitment to lower the perceived risk in the women's market.

Together, they crowded in other commercial investors. In 2015, the Overseas Private Investment Corporation (now the US International Development Finance Corporation) partnered with WEOF, and committed USD 100 million. In 2016, the IFC-AMC launched the USD 115 million Women Entrepreneurs Debt Fund with the IFC, FMO, Swedfund, AP2 and other investors. In 2018, WEOF supported the design of the first-ever gender bond by an emerging market private bank Garanti BBVA Turkey. In 2019, WEOF partnered with the IFC Global Trade Finance Programme (IFC & Goldman Sachs, 2019^[45])

WEOF is part of the World Bank's overall strategy to promote gender equality, and follows a comprehensive approach for ensuring the full realisation of women's social and economic rights. The IFC creates partnerships to encourage hiring women and improve their working conditions, supports the expansion of access to financial services for women, invests in technologies that expand the choices of women as consumers, and provides capacity building and leadership training for women entrepreneurs (IFC, 2021^[46]) (IFC, 2021^[47])

Similarly, initiatives such as WEOF benefit not only WSMEs through their investment, they also strengthen the asset quality of financial institutions, create jobs in developing countries, and provide key insights for the global research base by strengthening the business case for closing gender gaps in access to capital, with robust gender-disaggregated data. Furthermore, WEOF advisory services support financial institutions in catering successfully to WSMEs' needs through market research, business strategies for reaching the women's market, new product development customised for women borrowers, and change management plans needed to offer solution-based products (IFC, 2019^[26]).

WEOF initially aimed to provide USD 600 million in investments to financial institutions for lending to approximately 100 000 women entrepreneurs. To date, it is on track to meet these targets, or even surpass them. It provided over USD 1.76 billion in investment to 54 financial intermediaries in 36 countries across 51 investment projects, and 14 advisory projects, mobilising an additional USD 471 million from external public and private investors (IFC, 2021^[48]; IFC, 2019^[26]). Furthermore, WEOF provides access to financial services for 72 000 women and is on track to reach 100 000 women entrepreneurs by the end of the facility, thus increasing the number and volume of WSME loans from financial institutions by 86% (IFC, 2019^[26]).

While interest in blending is increasing, the blended finance evidence base remains relatively limited. Different efforts have aimed to map the blending landscape, but there is currently a dearth of data on the size and shape of this market. The OECD is engaged in work on tracking the volume of private finance mobilised by official development finance interventions, representing a useful advance in this regard. In addition, the OECD Survey on Blended Finance Funds and Facilities (OECD, Forthcoming^[1]) aims to gather a more comprehensive picture of the latest market trends in blended finance and to explore how organisations track and evaluate their development impact.

Development partner governments and other development finance providers increasingly use blended finance strategies. As a whole, OECD-DAC members are engaging in blended finance, although they are at very different stages in terms of both the range of instruments used, and implementation of blending strategies. Development banks and DFIs also play a critical role in blending, by deploying instruments and structuring mechanisms to mobilise the private sector. Multilateral development banks (MDBs) provide the largest share of private sector investments, through dedicated private sector operations. However, similarly to the spectrum of capital figure shown above (Figure 1.1) in relation to impact investing, evidence suggests that a wider range of diverse actors is engaging in blended finance. This includes the full spectrum, from foundations and philanthropic investors to commercial actors, including institutional investors, commercial banks, private equity and venture capital funds, hedge funds, as well as corporations and SMEs (OECD, 2018^[37]).

Development partners investing in blended finance need to assert their influence and ensure both gender mainstreaming and dedicated investments in gender equality, in order to remain consistent with their commitment to gender equality.

When working with private sector partners to achieve gender equality and women's empowerment, donors can ensure that investments are managed appropriately for development impact by referring to joint platforms for dialogue, such as the OECD Impact Standards for Financing Sustainable Investment (IS-FSD) (OECD/UNDP, 2021^[49]). Approved by the DAC in March 2021, the Standards embed high-level impact principles, frameworks, metrics and indicators. Altogether, they are designed to help donors, DFIs and asset managers integrate impact considerations (including crosscutting considerations for gender equality) into investment practices and decision-making, with a view to assessing both positive and negative effects on people and the planet, and to transparently report on impacts. By providing a joint reference point, the standards can ensure the achievement of development impact and the avoidance of "gender washing".

The OECD is committed to ensuring that the international community delivers on gender equality and women's empowerment, and as such, the OECD DCD Gender Equality and Women's Empowerment Team recently published a paper examining investment in gender, mapping the outputs of, among others, ODA and philanthropy (OECD, 2020^[16]). Building on this work, the 2020 Funds and Facilities Survey conducted a deep dive into the gender dimension of blended finance. The most recent OECD Blended Finance Funds and Facilities Survey gathered primary data on the extent to which vehicles focused on gender equality (OECD, Forthcoming^[1]). In line with the methodology of the DAC gender equality policy marker, survey respondents were asked to clarify whether the blended finance vehicle was dedicated to gender equality, integrated (mainstreamed) gender equality, or did not identify gender equality as an objective.

It is important to highlight that not all Survey respondents are members of the DAC and/or used to reporting against the DAC gender marker.

The analysis and results of the Survey's finding, presented here in this paper, represent a step in the right direction when it comes using data to shine more light on the financing landscape for gender equality. Issues such as leadership, gender analysis, policies and strategies, capacity and expertise, organisational change, as well as monitoring and evaluation, are essential to achieve gender equality results. While these topics are beyond the scope of this particular paper, other OECD analyses, including *Guidance on gender equality and the empowerment of women and girls* (OECD, Forthcoming^[50]), aim to address them.

To move forward and support the growth of this market, there is also a continued need for collaboration across the gender equality and financing communities, as well as a need for more and better data on blended finance and gender equality. In order to implement the ambitious 2030 Agenda, it is critical that financial support be as dynamic as the challenges it aims to solve. Blended finance, delivered through such funds and facilities, represents one such approach with the power to help deliver the SDGs.

2 **Analysing the role of blended finance for gender equality**

2.1. Overview of blended finance vehicles with a gender equality focus

Key messages

- Two-thirds (67%) of the assets under management of blended finance vehicles captured in the 2020 OECD survey claim to either integrate or be dedicated to gender equality (USD 49.8 billion). However, key challenges remain, in the form of potential resource constraints, as well as both general lack of awareness and data. In order to overcome these challenges and further integrate gender equality goals into decision-making, additional evidence-based insights are necessary to provide better, more transparent analysis as to how blended finance vehicles are tracking and reporting development impacts.
- Integrating gender equality objectives remains the most dominant strategy, with a very limited number of vehicles dedicated to gender equality as the main objective. The potential for return enhancement is the key rationale cited by investors for gender-dedicated blended finance vehicles.
- There is a need to mobilise private actors on gender equality at a greater scale, as governments and development agencies are the top investors and managers of blended finance vehicles for gender equality. DAC members have a catalytic role to play, with an opportunity to use a wide range of instruments, to target a large choice of sectors and support financing gaps for gender equality in least developed countries (LDCs).

The 2020 OECD Survey on Blended Finance Funds and Facilities aims to gather a comprehensive picture of the latest market trends in the blended finance market and to explore how organisations track and evaluate the development impact of blended collective investment vehicles (CIV) (OECD, Forthcoming^[11]).

The 2020 edition is the third edition of the survey and gathers data from 2019 and 2020. Like previous editions, the OECD had sole responsibility for the Survey's administration. The survey ran from April to September 2020, and gathered information from 198 participants, representing USD 75 billion in AUM (OECD, Forthcoming^[11]). The questionnaire was designed and disseminated by the OECD Private Finance for Sustainable Development Team, and combined quantitative and qualitative information. In particular, the 2020 edition of the survey expands previous analyses to include insights on key areas at the forefront of the current international development efforts: health, gender equality and the COVID-19 pandemic. In particular, gender-related questions were included for the first time, and designed in collaboration with the

OECD DCD Gender Equality and Women's Empowerment Team, based on the DAC Gender Equality Policy Marker.

2.2. Level of integration of gender equality in blended finance vehicles

Key messages

- In the sample, nine out of ten (91%) blended finance vehicles, representing 67% of the assets under management of blended finance vehicles (USD 49.8 billion), reported their investment strategy as either integrating or being dedicated to gender equality. Of this, only 1% of AUM (USD 1 billion) were dedicated to gender equality as the main objective, corresponding to 8% of the number of vehicles.
- Although those blended finance vehicles that do not identify gender equality as an objective represent only 8% of the total number of blended finance vehicles, they account for 33% of the total AUM of blended finance vehicles.
- Key challenges cited by vehicles that integrate gender equality as one of several objectives include the need to address potential resource constraints, a lack of client awareness, as well as issues related to data collection and measurement. Vehicles dedicated to gender equality as the main objective highlighted no challenges.
- Three different types of investments/approaches are used equally among blended finance vehicles that either integrate or are dedicated to gender equality: 1) investing in enterprises that offer products or services that substantially improve the lives of women and girls; 2) investing in enterprises that promote workplace equity; and 3) investing in women-owned or led enterprises.

The 198 blended finance vehicles – the joint term for blended finance funds and facilities – that responded to the 2020 OECD survey were categorised into three levels of gender integration, based on their response to the question “What is the importance of gender equality and women’s empowerment in your investment strategy?” The DAC Gender Equality Policy Marker (OECD, 2016_[33]) was used as the basis to define the three levels:

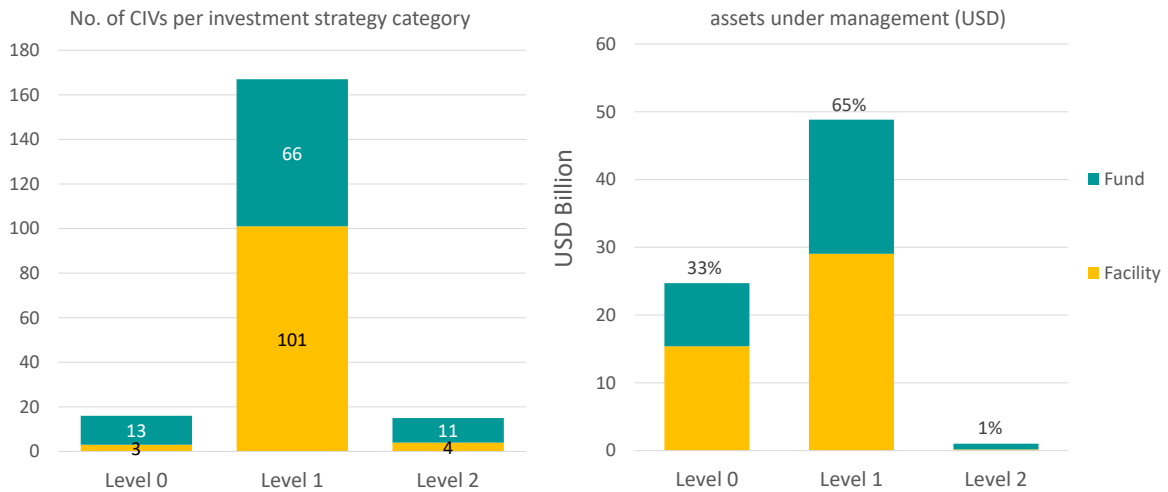
- **Level 0 blended finance vehicles:** “gender equality issues are not identified as an objective”.
- **Level 1 blended finance vehicles:** vehicles that declare “gender equality issues to be mainstreamed/integrated into their investment strategy as one amongst other objectives”.
- **Level 2 blended finance vehicles:** blended finance vehicles that report that their “investment strategy is dedicated to advancing gender equality and women’s empowerment as its main objective”.

The results captured by this survey indicate that 91% of the blended finance vehicles in the 2020 survey, or 67% of the AUM of blended finance vehicles covered by the survey (USD 49.8 billion), reported either integrating or being dedicated to gender equality. It is worth reiterating that survey respondents are not necessarily used to reporting the gender focus of their investments against the DAC marker. Consequently, the data presented here is not necessarily directly comparable to the ODA data reported annually to the OECD against the gender marker by DAC members.

It is noteworthy that the share of AUM of the blended finance vehicles examined in this paper that integrate or are dedicated to gender equality (67%) is higher overall than the share of bilateral ODA integrating or dedicated to gender equality (45%). However, only 8% of the blended finance vehicles (15 vehicles) were dedicated specifically to gender equality, corresponding to 1% of AUM (USD 1 billion).

Interestingly, although blended finance vehicles that do not identify gender equality as an objective represent only 8% of the total number of blended finance vehicles (16 vehicles), they still represent 33% of the total AUM of blended finance vehicles (USD 24.7 billion).

Figure 2.1. Number of blended finance vehicles (left panel) and assets under management (right panel) by level of gender integration

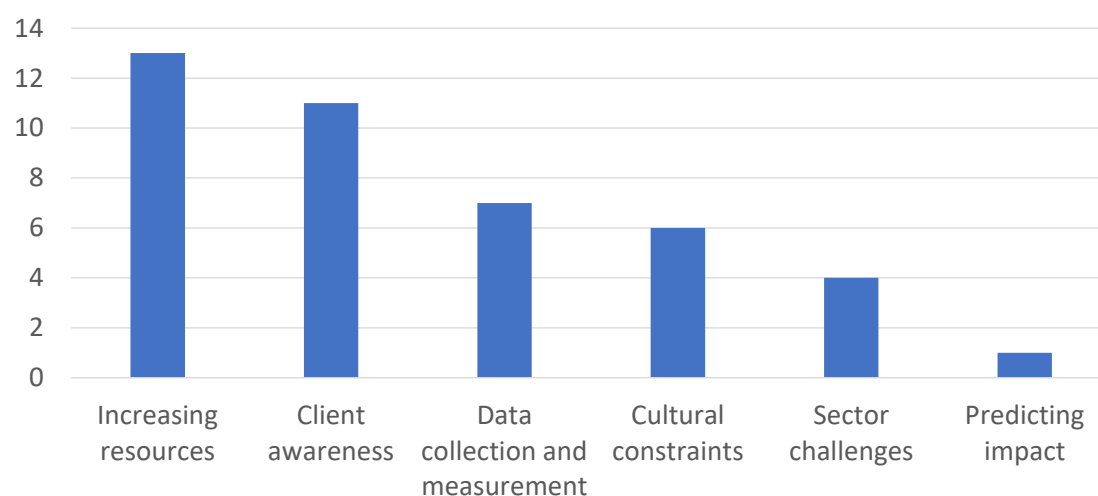


Notes: Level 0 = gender not integrated; Level 1 = gender mainstreamed; Level 2 = gender dedicated. CIV = Collective Investment Vehicles. The two largest blended finance vehicles in the sample report to be Level 0 blended finance vehicles. It is worth noting that there is a bias in the sample, with the eight blended finance vehicles mainstreaming gender accounting for 52% of the assets under management captured in the survey.

Although the vast majority of blended finance vehicles report integrating gender equality, a number of challenges related to this approach prevent gender integration from becoming systematic. The top three most commonly reported challenges relate to the need for increasing resources, the lack of client awareness,⁷ and issues related to data collection and measurement. Availability of impact data disaggregated by sex remains an issue in most development programmes (see Table 2.1). There are likely also issues linked to overall lack of organisational capacity, lack of leadership, and prevailing internal social norms and practices, even though the Survey did not directly address these issues. Interestingly, surveyed blended finance vehicles dedicated to gender equality did not report any challenges linked to addressing the issue of gender equality.

⁷ Clients often refer to direct investees for a blended finance vehicle.

Figure 2.2. Challenges in integrating gender into investment strategy (by number of blended finance vehicles – gender mainstreaming only)



Note: The graph is based on 28 responses. The challenges reported by the 28 blended finance vehicles were classified into six categories. All of the blended finance vehicles citing client awareness as a challenge were managed by one managing organisation.

Table 2.1. Examples of challenges faced when integrating gender equality into a blended finance vehicle

Challenges	Quotes
Increasing resources	Targeted support, which encourages new female market entrants, is a challenge. Consequently, understanding whether a concrete enterprise has a market disadvantage because it is led or owned by women is also a challenge. ,
	At the organisational level, the adoption of a gender lens in the investment strategy is a best practice that enables the organisation to incorporate (transfer) gender equality in financing provided to projects and programmes. In this sense, the managing organisation is able include stipulations regarding positive outcomes or indeed impacts from clients regarding gender equality. A major challenge faced is creation awareness in clients about the importance and benefits of gender equality. Increasing resources for the aforementioned purpose is also a challenge.
Client awareness	A major challenge faced is to create awareness among clients about the importance and benefits of gender equality. Increasing resources to promote client awareness remains an additional challenge
Data collection and measurement	Limited impact data to reinforce the benefits of gender-lens investing from our portfolio (plenty of outreach, but more impact studies in this area could prove beneficial).
	Measuring with a gender lens in infrastructure projects is a challenge.
Cultural constraints	Small and medium-sized enterprises in East Africa are not very sensitive or aware of issues related to gender empowerment.
	Lack of cultural background.
Sector challenges	STEM/technical skilled staffing typically still very gendered; companies need technicians, but the majority of the potential pool is male. Sales staffing can skew male due to biases, but the best companies see beyond this.
	The agricultural sector is highly dependent on male labour given structural matters such as strength or insecurity. It is challenging to adopt strategies that are inclusive given these differences.
Estimating potential impact	Developing a specific gender lens is not always easy. The main challenge is that even with stricter access to funding criteria, the result is not always what was expected. In many cases, men use women to create a company, as they are aware that some funding goes only to women-led activities, so this also makes things more complicated. The main benefits are, of course, that in many cases, this type of financing enables and empowers women to have a stronger role in the society.

Note: The above table represents sample answers given by respondents asked to detail benefits and challenges encountered when adopting a gender lens.

The vehicles surveyed were also invited to indicate the type of investments made for gender equality, among the following options:

- investing in enterprises that offer products or services that substantially improve the lives of women and girls;
- investing in enterprises that promote workplace equity;
- Investing in women-owned or led enterprises.

Overall, the survey results indicate that the different types of gender equality investments made by blended finance vehicles are split equally. Asia is the top region for blended finance vehicles investing in enterprises that offer products and services to improve the lives of women and girls, representing USD 5.5 billion, or 37% of the respective capital invested. An example of such a vehicle is the Leading Asia's Private Infrastructure Fund, managed by the Asian Development Bank. This fund seeks to increase access to finance for infrastructure projects. Africa is the top region for both blended finance vehicles investing in enterprises that promote workplace equity and those that invest in women-owned or led enterprises, at USD 5.5 billion and USD 5.8 billion respectively, accounting for 57% and 53% of the total capital employed for these causes. Examples include Business Partners International East Africa, an investment company with the dedicated aim of increasing access to finance for small companies in rural Kenya, Rwanda and Uganda; and the Africa Investment Platform, which aims to address funding gaps in several countries in sub-Saharan Africa.

2.3. Reasons for addressing gender equality in blended finance vehicles

Key messages

- “Responding to Agenda 2030 or part of organisational priorities” is cited as the main reason as to why blended finance vehicles integrate gender equality into their investment strategy.
- Blended finance vehicles dedicated to gender equality tend to refer to the “potential for return enhancement” for investors (33%). These vehicles also reported having higher return expectations than blended finance vehicles integrating gender equality. This highlights the recognition by investors that firms led by women can outperform and have higher returns than those led by men.
- Other reasons cited by blended finance vehicles dedicated to gender equality to adopt such an approach relate to “requests from investors”. This emphasises the need for development partners, as investors of blended finance vehicles, to assert their influence and demand a further focus on gender equality.

Blended finance vehicles dedicated to gender equality remain limited, representing 15 of the vehicles responding to the OECD survey (7.5% of the total blended finance vehicles that reported to the survey), or USD 1 billion of AUM (1% of the total AUM of blended finance vehicles).

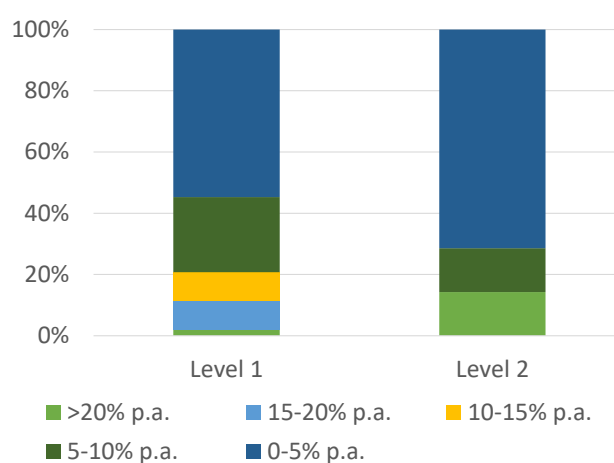
Notably, while “Responding to Agenda 2030” or “as part of organisational priorities” represent the main reasons cited by both blended finance vehicles integrating gender equality and those dedicated to gender equality, the “potential for return enhancement” for investors was more frequently cited by gender-dedicated vehicles than by vehicles integrating gender equality (13% and 5% respectively).

This lends weight to the recognition that gender lens investing can lead to higher returns for investors, as previously demonstrated by both Nordea (2021^[51]) and Credit Suisse Research Institute (2012^[52]). Commercial asset managers manage the majority of the blended finance vehicles that cited a “potential for return enhancement” for investors (63%). Development agencies do not seek return enhancement.

Another question in the 2020 survey relates to the return expectations of blended finance vehicles. The expected return is the financial return an investor can anticipate receiving on their investment. This is often subject to the mandate of the investors. For instance, some investors have a higher risk appetite and therefore higher return expectations. Typically, historical data forms the basis for return expectations, and are therefore the predictions not guaranteed.

A higher share of gender-dedicated blended finance vehicles report having the highest financial return expectations, at above 20% per annum (2% of blended finance vehicles that mainstream gender equality versus 14% of gender-dedicated blended finance vehicles). This further reiterates the beneficial return expectations associated with a dedicated focus on gender equality.

Figure 2.3. Blended finance vehicles' financial return expectations, by number of blended finance vehicles

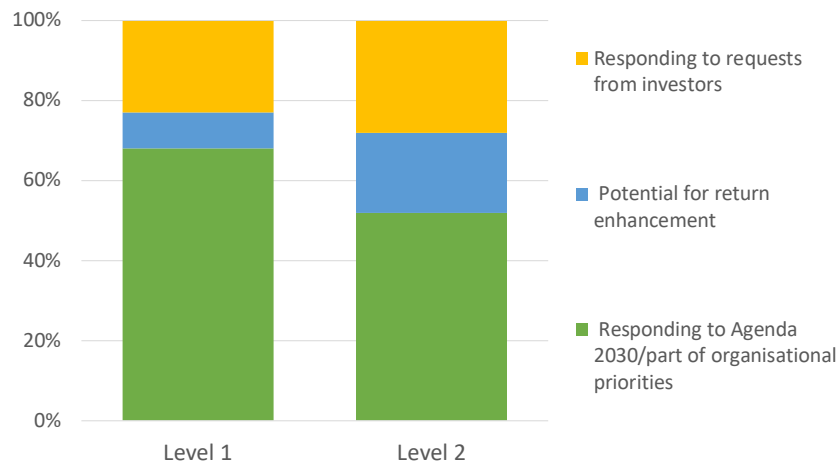


Notes: Level 1 = gender mainstreamed; Level 2 = gender dedicated. Only 49 Level 1 and 6 Level 2 blended finance vehicles responded to the question.

Gender dedicated vehicles more often cited the need to “respond to requests” from investors as one of the key drivers of their approaches. This signals the need for development partners assert their influence in relation to advancing gender integration approaches, in addition to investments dedicated to gender equality.

Among blended finance vehicles that mention “other reasons”, “internal mandate” is the most common reason (85% of blended finance vehicles that cited “other reasons”). This indicates that organisational incentives are also an effective approach for ensuring a stronger gender equality focus; this may include explicit policies, dedicated professionals working and leading on these issues, and institutional and/or human resource and performance measures.

Figure 2.4. Reasons for integrating gender equality, by number of vehicles



Note: Level 1 = gender mainstreamed; Level 2 = gender dedicated. The category "Other" is not shown in this graph, as it is primarily driven by one institution.

2.4. Investors and managers of blended finance vehicles with a gender equality focus

Key messages

- The manner in which blended finance vehicles are invested guides their operations, and will ultimately influence their level of gender integration. Development partners have an important role to play to exert their influence in this regard.
- Governments and development agencies are the main investors of surveyed blended finance vehicles that integrate or are dedicated to gender equality.
- Beyond governments and development agencies, multilateral development banks (MDBs), development finance institutions (DFIs) and foundations are large investors in blended finance vehicles dedicated to gender equality.
- Sovereign funds are part of the investor base of blended finance vehicles that do not address gender equality and are very rarely involved in blended finance vehicles that integrate or are dedicated to gender equality.
- Asset managers and pension funds represent only 2% and 5% of the capital of blended vehicles integrating gender equality and those dedicated to gender equality.
- The top three managing organisations of blended finance vehicles integrating gender equality are multilateral DFIs (55%), commercial asset managers (21%) and governments (15%). Governments are the main managers of gender-dedicated blended finance vehicles. Commercial asset managers mostly manage blended finance vehicles that do not integrate gender equality.
- DAC members, either as managers or through their DFIs can incentivise the uptake of gender commitments and goals in blended finance vehicles.

- There is room to strengthen the mandates governing DFIs, obliging them to consider gender-related issues in their investment strategy

The use of blended finance involves a diverse set of organisations, spanning the public, private and philanthropic sectors, which can all intervene in different roles. For instance, a development agency or a DFI may invest in a blended finance vehicle managed by a private asset manager who may on-lend the money to a public or private sector client (for instance a local microfinance institution, company or investment fund). Investors as providers of capital to blended finance vehicles can have an influence on the vehicle's focus, including on the gender integration approach selected. Managing organisations in turn manage the vehicle, following the mandate given by investors.

A blended finance vehicle can be structured so that all investors are exposed to the same risk-return profile (risks and returns are allocated equally to all investors) or in a layered structure where risks and returns are allocated differently across investors (as an example, development partners provide a risk protection to other investors). Among the survey respondents who reported a gender-mainstreamed investment strategy, 30% of the vehicles note that their entities are best described as a structured fund, while 53% of the survey participants with an investment strategy dedicated to gender issues describe their entity as a structured fund.

While donors (government and development agencies) are overall the most prominent investors across both facilities and funds, they play a much smaller role in the latter. Given their structure and mandate, blended finance funds attract a much more diverse set of investors, which includes commercial asset managers, insurance companies, and pension funds. Other minor players can include high-net-worth individuals, corporations, family offices and private institutional investors, all of which are encompassed in the "other" category.

Results of the 2020 OECD survey indicate that governments and development agencies are the main investors in blended finance vehicles with a gender equality focus, representing over 62% of the capital of blended finance vehicles integrating gender equality. The share of governments and development agencies in the capital of blended finance vehicles dedicated to gender equality is even higher (77%). Examples of OECD-DAC members providing capital to blended finance vehicles dedicated to gender equality include the Netherlands, Sweden and the United Kingdom. Other DAC members also invest in mainstream blended finance vehicles, including the European Union, Germany, the Netherlands, Norway and the United Kingdom. The aim of these blended finance vehicles is to mobilise additional finance to address persistent gender financing gaps.

Beyond governments and development agencies, MDBs, DFIs and foundations are large investors in blended finance vehicles that mainstream gender, as they represent over 27% of the capital of these blended finance vehicles. The share of MDBs, DFIs and foundations in the capital of blended finance vehicles dedicated to gender equality is lower; they only provide 11% of the capital. The contrast between these two types of blended finance vehicles suggests that there is a higher potential for MDBs, DFIs and foundations to contribute to those vehicles dedicated to gender equality.

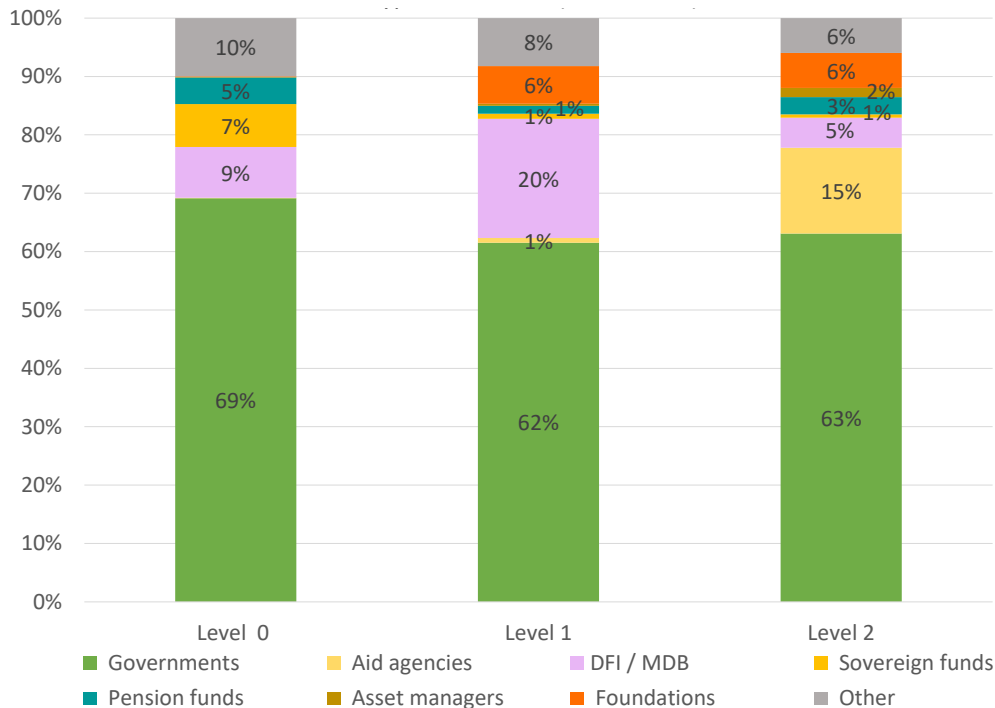
There is scope for progress for sovereign funds, which are an important part of the investor base of blended finance vehicles that do not address gender equality (7% of their capital). Sovereign funds contribute less than 1% of the capital of blended finance vehicles that integrate gender equality, as well as those that are dedicated to gender equality.

Similarly, there is a need to mobilise institutional investors at a greater scale as asset managers and pension funds, as they represent only 2% of the capital of blended vehicles surveyed by the OECD that mainstream gender, and 5% of blended finance vehicles dedicated to gender integration.

Investors in the "other" category provide a combined total of USD 2.4 billion, or 10% of AUM, for the blended finance vehicles that do not identify gender equality as an objective, 8% of blended finance

vehicles integrating gender equality and 6% of blended finance vehicles dedicated to gender equality. These “other” investors include insurance companies, corporations, funds of funds, high-net-worth individuals, private banks, commercial banks and family offices. As an example, the Swedish Bank SEB is one of the main investors in the Danish SDG Investment Fund, which integrates gender equality in its investment strategy.

Figure 2.5. Capital provided by blended finance vehicles integrating gender equality by type of investor, in percentage of capital in USD



Notes: DFI: development finance institutions; MDB: multilateral development bank. Level 0 = gender not integrated; Level 1 = gender mainstreamed; Level 2 = gender dedicated. The level of each vehicle was determined via self-declaration (as a response to a survey question). Investors classified under the “Other” category include insurance companies, corporations, funds of funds, high-net-worth individuals, private banks, commercial banks and family offices.

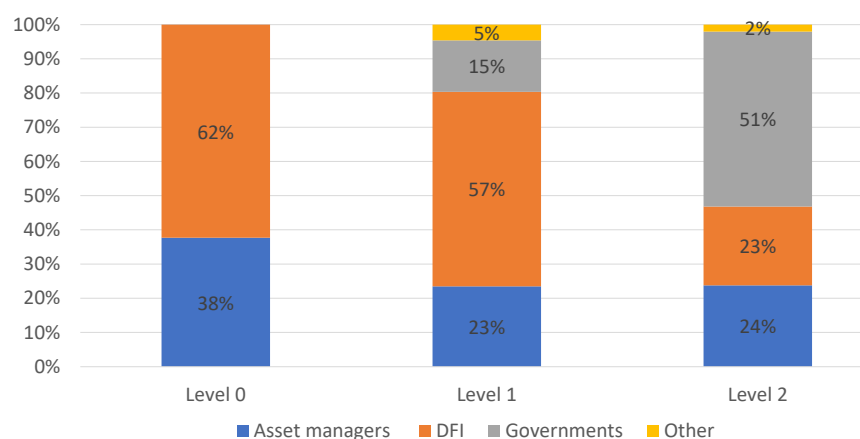
Managing organisations oversee the vehicles according to the investor mandates. The top three managing organisations of gender mainstreamed blended finance vehicles are multilateral DFIs (51%), asset managers (24%) and bilateral DFIs (10%). Such multilateral organisations include the African Development Bank, the Asian Development Bank, the European Investment Bank, the European Bank for Reconstruction and Development, the IFC, and the Development Bank of Southern Africa.

Commercial asset managers (33%), multilateral DFIs (27%) and managing organisations in the “other category” (20%), mostly manage surveyed blended finance vehicles dedicated to gender equality. The “other” category is composed of the Impact Investment Exchange (IIX), a self-described “social stock exchange” which utilises a gender-lens approach to investing. IIX manages the Women’s Livelihood Bond (WLB) series and the Women’s Catalyst Fund (WCF). The WLB 1 seeks to mobilize commercial investment for women’s empowerment, thereby contributing to several SDGs. The WCF seeks to improve COVID-19 resilience among, and accelerate funding for, underserved women in developing countries.

Asset managers (75%), bilateral DFIs (13%), governments (6%) and multilateral DFIs (6%) mostly manage vehicles that do not identify gender equality as an objective. The comparatively higher relative importance

of bilateral DFIs suggests a potential need to strengthen the mandate of these institutions to identify gender equality as an objective in their investment strategy.

Figure 2.6. Managing organisations of gender mainstreamed blended finance vehicles, by percentage of assets under management



Note: Level 0 = gender not integrated; Level 1 = gender mainstreamed; Level 2 = gender dedicated.

2.5. Instruments used by blended finance vehicles with a gender equality focus

Key messages

- A wide range of blended finance instruments support blended finance vehicles that integrate, or are dedicated to, gender equality.
- The use of guarantees remains relatively rare across both gender mainstreamed and gender-dedicated blended finance vehicles (respectively 3% and 2% of the respective total AUM), despite the fact this is the instrument that mobilised the largest amount of private finance over the past seven years.
- Direct investments in companies and grants are the most used blended finance instruments across both gender mainstreamed and gender-dedicated vehicles. Grants are more widespread across gender-dedicated vehicles.
- There is an opportunity to scale up the use of and attracting additional commercial finance for gender lens investing.
- There lies significant potential in scaling up the use of guarantees for gender equality, which currently reflect only a very small proportion of AUM.

Investors often associate investments in developing countries with an unfavourable risk-return relationship. Perceived and real risks associated with investments in these markets include macroeconomic, business risks that influence investments in a project or company and regulatory and political risks.

Several financial instruments⁸ in blended finance can address the risk-return profile of investments. Importantly, blended finance instruments can facilitate private investments in the financing structure of a project, both at concessional terms and market rates. These instruments for crowding in commercial capital include:

- Direct investments (debt, equity and mezzanine investments) in companies: The use of direct investment instruments, such as equity and debt on concessional terms can shift the risk-return relationship of a project, in order to facilitate commercial investment.
- Credit lines or bonds: Credit lines are a specific form of debt instrument. For example, a credit line can provide a local financial institution in a developing country with a credit facility that it may repay as needed, with the aim of increasing access to finance for particular borrower segments such as SMEs. Similarly, project companies and corporate entities can issue bonds, which are fixed-income securities, to raise long-term debt finance for projects.
- Guarantees: Guarantees usually provide protection against either political or commercial risks. A guarantee is an obligation by the guarantor to pay an agreed-upon amount of a loan or other financial instrument in the event that the guaranteed party cannot reimburse the claims or the project otherwise fails. Evidence suggests that, of all the blended finance approaches used to alter the risk-adjusted returns of investments and crowd-in commercial finance, guarantees have the greatest power to mobilise private finance from development finance.
- Grants and technical assistance: Grants and technical assistance are deployed when development impact needs to be supported by specific project capacity.
- Shares in blended finance vehicles or common investment vehicles: Collective investment vehicles can receive support from a diverse group of investors, including global private pension funds, sovereign wealth funds, DFIs or multilateral development banks.
- Syndicated loans: provided by a group of lenders, these loans typically a mix from the public and private sectors.

Despite their significant potential to mobilise private investors, guarantees only represent 3% and 2% respectively in terms of AUM, for both gender mainstreamed and gender-dedicated vehicles. A little less than a fifth (17%) of the number of blended finance vehicles that mainstream gender equality, and just over a tenth (12%) of blended finance vehicles dedicated to advancing gender equality report using guarantees as a blended finance instrument. This suggests an opportunity for increasing their use and attracting additional commercial finance at a much greater scale.

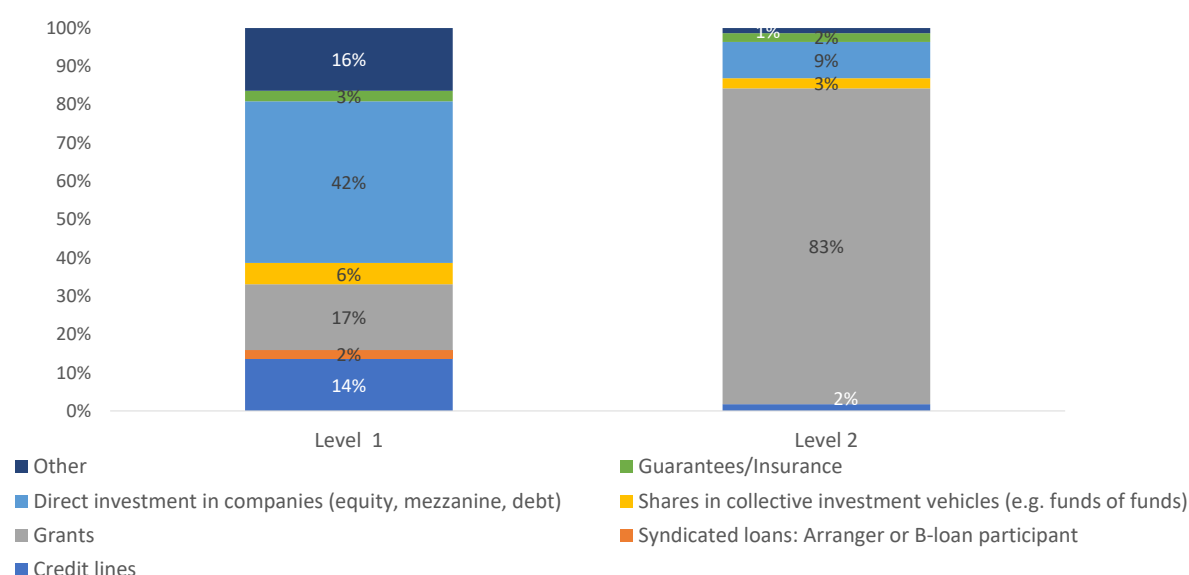
Gender mainstreamed blended finance vehicles most frequently use direct investments in terms of both AUM and number of vehicles. An example of a vehicle utilising direct investments in companies includes the Emerging Africa Infrastructure Fund, which has invested in, and worked with, several businesses in Africa. For instance, it has invested in businesses in the energy sector in Mali, in the telecoms and digital sector in Senegal, and in the transport sector in Gabon. Over a quarter (27%) of these blended finance vehicles use direct investments, which represent 42% of AUM, for a total of USD 4.8 billion. While most of the surveyed gender-dedicated blended finance vehicles use direct investments (36%), these only

⁸ Debt instruments typically require periodic payment of interest and principal at maturity, the periodic payment of interest and principal in an amortising bond, or simply the principal at maturity in the case of a zero-coupon bond. Investors in debt instruments have stronger rights than equity investors in the event of bankruptcy. Equity represents an ownership interest in a company. Equity investors have an ability to influence and direct the management of the company, depending on the ownership interest, with their returns on investment based on the company's success in growing or enhancing profitability. Ownership constitutes a claim on the residual value of the company after all creditors are reimbursed. Mezzanine instruments can take the form of subordinated debt or preferred equity. The claims of subordinated debt holders are inferior to the claims of senior debt holders, whereas those of preferred equity holders are superior to those of common equity holders.

represent 9% of AUM in gender-dedicated vehicles. While there is no evidence in favour of using one single instrument, studies suggest that guarantees are the most effective tool for mobilising capital (Garbacz, Vilalta and Moller, 2021^[39]). This indicates that there lies significant potential in scaling up the use of guarantees for gender equality, which currently reflect only a very small proportion of AUM.

In terms of AUM, grants represent the most dominant instrument used by gender-dedicated blended finance vehicles, representing 83% of AUM, or USD 608 million, and are provided by 28% of the vehicles dedicated to gender equality. Examples include the Women Entrepreneurs Finance Initiative, which seeks to scale up access to financial products and services for female entrepreneurs and has so far distributed more than 50% of its grants to low-income and fragile countries. Another example is the Women Entrepreneurs Opportunity Facility, run by the IFC in partnership with Goldman Sachs' 10,000 Women initiative. Similar to the prior example, the Women Entrepreneurs Opportunity Facility is dedicated to providing access to finance for women-owned SMEs (IFC, 2021^[44]).

Figure 2.7. Type of instruments used by blended finance vehicles focused on gender equality (% of assets under management)



Notes: Level 1 = gender mainstreamed; Level 2 = gender dedicated. The labels represent the amounts disbursed by each instrument in million USD. Instruments classified under the "Other" category include technical assistance; FX hedge subsidies; and parallel loans from donors, derivatives, securities and subsidy programmes.

Credit lines are relatively rare in blended finance vehicles dedicated to gender equality, representing only 2% of the total AUM focused on gender equality. In comparison, 14% of the AUM in blended finance vehicles mainstreaming gender equality use credit lines as an instrument. There are some notable good examples with potential for replication (see Box 2.1 below).

Box 2.1. Example: Guarantees/insurance, Women's Livelihood Bond 1&2

The Women's Livelihood Bond (WLB) 1 and 2 are two funds managed by Impact Investment Exchange, a Singapore-based company, of assets under management equalling USD 8.5 million and USD 12 million, respectively. The funds provide bonds that are able to mobilise private sector capital for development impact, while offering financial returns to investors independent of social outcomes. This occurs by pooling loans to social enterprises into a public debt security.

Women, especially those in developing countries, stand to be disproportionately affected by the climate crisis and its consequences. Due to their over-representation in agriculture and other vulnerable jobs, these women often lack the resources to cope with the economic impacts of climate change. The bond aims to empower and build the climate change resilience of low-income women in South and Southeast Asia, through access to affordable credit and products such as disaster insurance, agricultural inputs to support climate adaptation, as well as clean and affordable energy to support climate change mitigation. Capital is provided upfront, allowing women to fund income-generating assets and skills to transition from subsistence to sustainable livelihoods.

USAID provided guarantees that reimburse 50% of any losses incurred by the bond issuer. The Australian Department of Foreign Affairs and Trade (DFAT) also provided support to cover the upfront and due diligence costs. DBS Bank serves as the lead arranger and placement agent for the WLB, and places the bond with its private banking clients, as well as with other investors from its network and IIX's own network. IIX monitors the impact of the bond and provides up to USD 500 000 first-loss tranche, in the form of a subordinate loan to the issuer. Although IIX manages the bond, it operates independently from the firm and relies on Vistra Alternative Investment Services for the provision of corporate secretarial services. In addition, the Bank of New York Melton acts as the bond's trustee (Impact Investment Exchange Global, 2020^[53]).

As of 2019, the first Women's Livelihood Bond (WLB1) managed to mobilise more than USD 150 million in private capital to address 12 SDGs, and support more than 2 million women, spanning 6 different countries (Impact Investment Exchange Global, 2019^[54]). The WLB2 was launched in the second quarter of 2020, with a USD 3.67 social impact value experienced by women directly impacted by WLB2, per dollar invested (Impact Investment Exchange Global, 2020^[53]). At the end of 2020, the bond issued its third edition (WLB3), which focuses on helping 180 000 underserved women and women entrepreneurs rebuild from the effects of COVID-19, by unlocking USD 27.7 million of private capital.

The bond is now planning to release its fourth edition (WLB4) in the near future (Impact Investment Exchange Global, 2021^[55]).

2.6. Sectoral and geographic focus of blended finance vehicles focusing on gender equality

Key messages

- Blended finance vehicles integrating gender equality span across sectors, including energy, transport, banking and environment, highlighting opportunities to address gender equality in a wide range of investment areas.

- Agriculture, banking and financial services, and education, are the dominant sectors for vehicles dedicated to gender equality.
- Excluding South Africa, lower middle-income countries represent the primary destination for blended finance vehicles dedicated to gender equality.
- More efforts are needed to support gender financing gaps in least developed countries, with the use of blended finance vehicles. Gender-dedicated blended finance vehicles mostly invest in upper middle-income countries, while gender mainstreamed blended finance vehicles tend to target lower middle-income countries.
- Increasingly, there are promising opportunities to forge stronger links between sectors like energy and other climate-related investments, and gender equality.

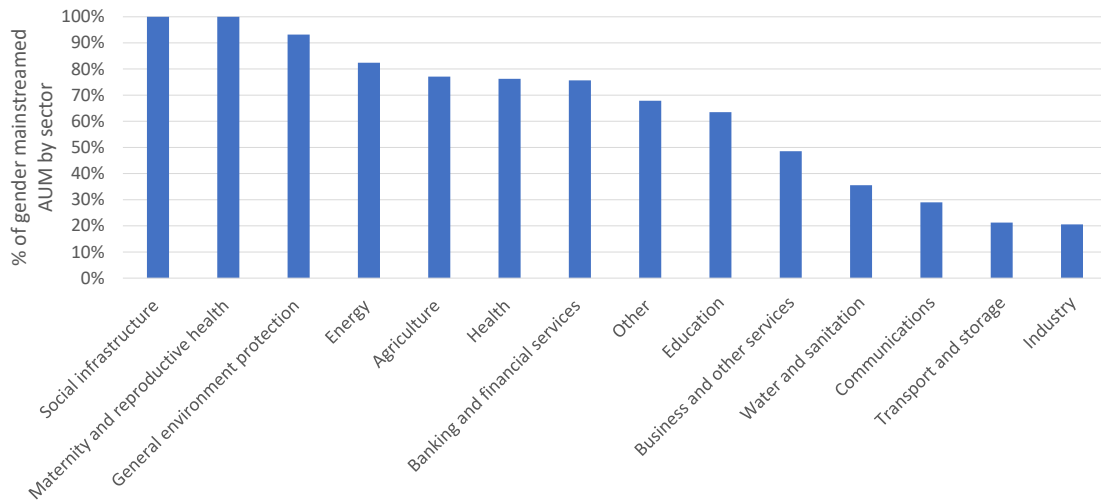
Despite the growth of the blended finance market, private finance is mostly being mobilised in middle-income countries, in sectors with a clear revenue stream, such as banking and financial services, energy and industry, and mining and construction. For instance, OECD data shows that only 5% of the private capital mobilised in 2017-18 went to the LDCs and nearly 6% targeted social sectors (such as water and sanitation or education and health) (OECD; UNCDF, 2020^[56]). In general, sectors with established regulatory and investment frameworks, a track record of private investment, and underlying financial sustainability are more conducive to attracting commercial finance (OECD, 2021^[57])

Vehicles that mainstream gender equality span many sectors, but a large number concentrate on energy (29% of the vehicles, representing USD 8.8 billion). The Norwegian Investment Fund, which includes gender equality in its investment strategy in several clean energy projects across sub-Saharan Africa, is a prime example. This highlights promising opportunities to forge closer links between sectors energy and other climate-related investments, to gender equality.

Other sectors include the banking and financial services sector (18% of the vehicles, representing USD 5.5 billion), as well as transport and storage (10%, representing USD 2.9 billion). Vehicles in these sectors include the Women Entrepreneurs Finance Initiative, managed by the Inter-American Development Bank. This initiative supports female-owned SMEs and assists them in scaling up their access to financial products, helps them build capacity and offers mentoring for female entrepreneurs – an approach that could be replicated by other blended finance vehicles. Other examples are the Japan ASEAN Women Empowerment Fund or the Water and Energy for Food Fund.

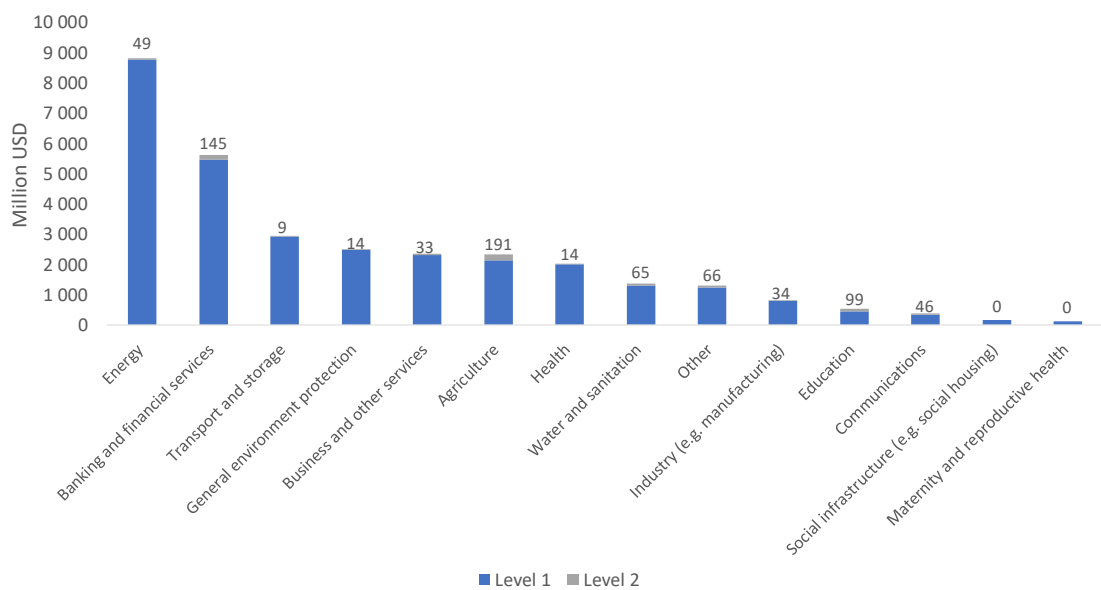
All surveyed blended finance vehicles in the sectors of maternal and reproductive health and in social infrastructure integrate gender equality. The amount of AUM in these sectors is, however, very low (Figure 2.8).

Figure 2.8. Proportion of blended finance vehicles mainstreaming gender equality by sector (% of assets under management)



Blended finance vehicles dedicated to advancing gender equality and women’s empowerment invest mainly in agriculture (25% of the vehicles, representing USD 191 million), banking and financial services (19% of the vehicles, representing USD 145 million), and education (13% of the vehicles, representing USD 99 million). These vehicles include the Water and Energy for Food Fund (Water and Energy for Food, 2021^[58]), which aims to scale water-energy-food innovations to improve food security and gender-related issues, as well as to reduce poverty in rural areas. Another example is the I&P Education to Employment Fund (I&P, 2021^[59]), which aims to provide access to quality education. The Water and Energy for Food’s commitment to gender-related issues is evidenced by its support for a solar-powered irrigation system in Niger, and its goal to train 5 000 women to operate this system (Water and Energy for Food, 2020^[60]). The I&P’s dedication to gender issues has resulted in 20% of financed companies being run by women and 20% female board membership in their portfolios companies (I&P, 2019^[61]).

Figure 2.9. Sector breakdown of blended finance vehicles focused on gender equality



Note: The labels represent the assets under management by gender-dedicated (Level 2) blended finance vehicles in million USD.

Box 2.2. Example: Africa Enterprise Challenge Fund – Agribusiness Window

The Africa Enterprise Challenge Fund (AECF) is a development institution which supports high-impact projects and renewable energy in Africa through catalytic grants and concessional loans (OECD, 2016^[62]). Launched in 2007 as a specific partnership of the Alliance for a Green Revolution in Africa and managed by KPMG East Africa, the AECF has become one of the largest challenge funds in Africa, counting 27 competitions.

The AECF comprises eight funding windows, and its work in the agriculture sector is the largest and most mature of its investments. Through the Agribusiness Africa Window (AAW), services and value chains benefit rural communities living on less than USD 2 per day in sub-Saharan Africa.

The Australian Department of Foreign Affairs and Trade (DFAT), Global Affairs Canada, the Danish International Development Agency, the Dutch Ministry of Foreign Affairs, Swedish International Development Cooperation Agency (Sida), and the United Kingdom's Foreign, Commonwealth and Development Office (FCDO) fund AECF. Of these six funding partners, Canada, Sweden, and the United Kingdom, support the AAW. The AAW blends grants, which comprise approximately 80% of the assets under management (AUM) and syndicated loans, which make up 20% of AUM.

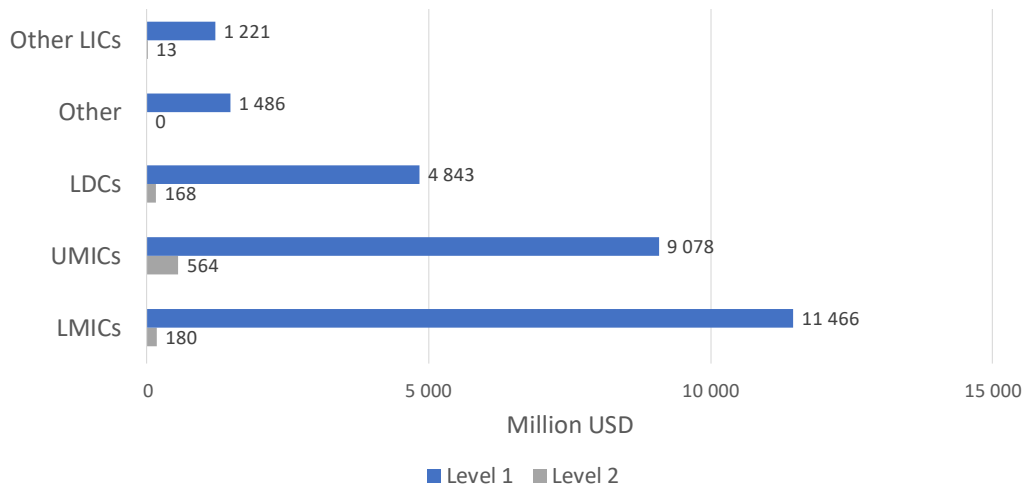
Recognising that women should enjoy full participation as producers, consumers, business owners and decision makers, the AECF's gender-lens investing approach mainstreams gender analysis, hosts inclusive investment processes and shares insights on gender mainstreaming in private sector investments. It thereby strives for an intersectional framing of gender, focusing on people with disabilities, and aiming for a 70% youth employment rate. This is in line with the Alliance for a Green Revolution in Africa's broader work on gender and inclusion, following its Gender in Agriculture strategy, Youth Agriculture strategy, equity in public policy and investments approach, and recent engagement in platforms such as VALUE4HERConnect, which provides a dedicated Women2Finance pillar.

Since 2008, the AECF has provided USD 356 million in funding, leveraging USD 658 million in matching capital for 268 business across 26 countries in sub-Saharan Africa. In the agribusiness portfolio, since 2009, the AAW has supported 189 companies through USD 183 million in donor commitments and USD 370 million investee funds matching disbursement. With 56 active investee projects, in 2019, the AAW reached over 560 000 households and created and sustained over 2 000 direct jobs, 54% of which were held by women, and 63% by youth.

Surveyed blended finance vehicles mainstreaming gender equality commonly invest in lower middle-income and upper middle-income countries, representing 39% (USD 11.5 billion) and 32% (USD 9.1 billion) of the AUM respectively. This is in contrast to a lack of investments in LDCs, where the need for greater investment remains critical.

For blended finance vehicles dedicated to gender equality, upper middle-income countries appear to be the primary destination. However, this finding is heavily influenced by The Jobs Fund (The Jobs Fund, 2021^[63]), which is managed by the government of South Africa, and aims to overcome barriers to job creation by funding enterprise development, infrastructure investment, support for work seekers and institutional capacity building. It constitutes nearly 50% of the AUM (USD 515 million) in this category, and invests exclusively in South Africa. Excluding South Africa, lower middle-income countries represent the primary destination for blended finance vehicles dedicated to gender equality (The Jobs Fund, 2021^[63]).

Figure 2.10. Destination of blended finance vehicles' gender equality financing, by countries' income level (by assets under management, million USD)

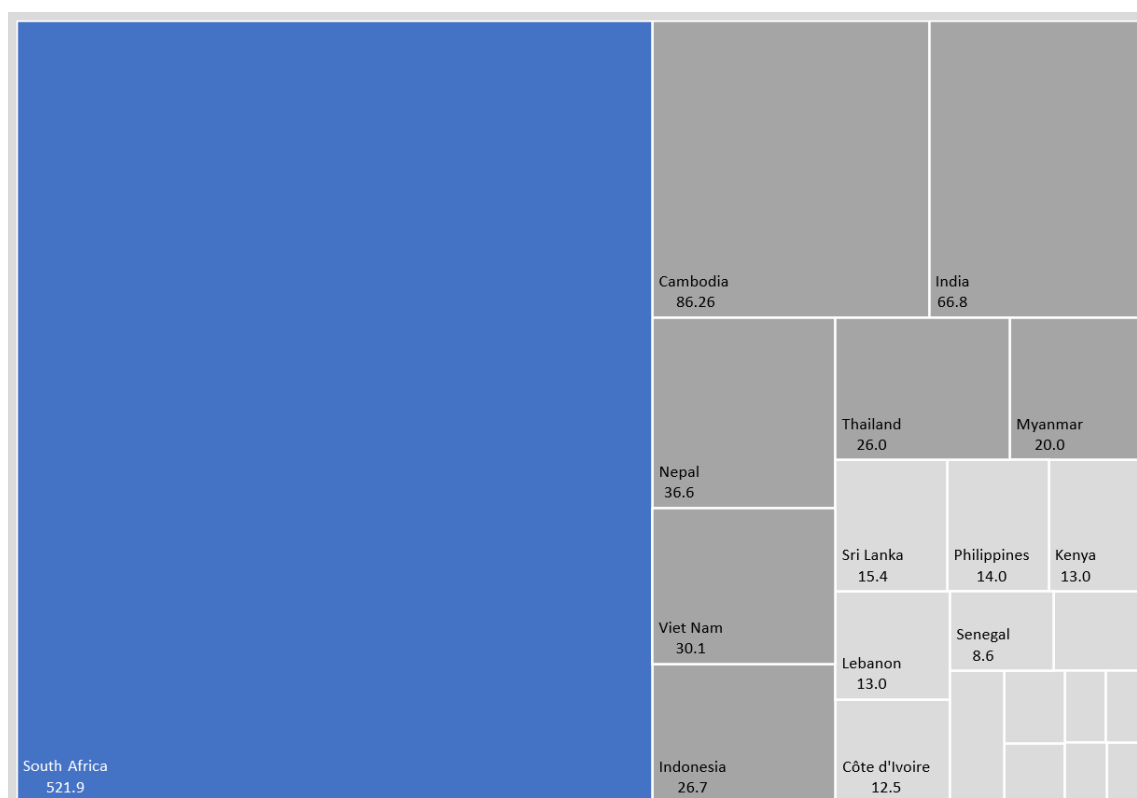


Notes: LICs: low-income countries; LDCs: least developed countries; UMICs: upper middle-income countries; LMICs: lower middle-income countries. One fund which invests solely in South Africa comprises almost 50% of Level 2 common investment vehicles' assets under management.

In terms of country focus, the top three countries with gender mainstreamed blended finance vehicles are India, Turkey and Ukraine, representing 6%, 5% and 4% of AUM of these funds, respectively. This stands in contrast to gender-dedicated blended finance vehicles, where the top three countries targeted are South Africa,⁹ Cambodia and India, representing 56%, 9% and 7% of AUM of these funds, respectively.

⁹ It is worth highlighting that 99% of the investments captured in South Africa are due to one single large fund, which invests solely in South Africa: The Jobs Fund.

Figure 2.11. Country focus of gender-dedicated blended finance vehicles (million USD)



Note: Virtually all (99%) of the investments made in South Africa are from one fund that solely invests in South Africa. Empty boxes represent other countries too small to be labelled.

Box 2.3. Example: Japan ASEAN Women's Empowerment Fund

The Japan ASEAN Women's Empowerment Fund (JAWEF), established in 2016, targets gender equality and women's economic empowerment by empowering female entrepreneurs in Asia, with a particular focus on the member states of the Association of Southeast Asian Nations (ASEAN). JAWEF is a USD 178.5 million fund managed by the commercial asset manager, Blue Orchard. The fund operates under commercial terms and provides loans to microfinance institutions that serve female entrepreneurs. JAWEF blends concessional debt and equity with concessional capital. Blue Orchard and another firm provided first-loss equity. The Japan Bank for International Cooperation and Japan International Cooperation Agency (JICA) provided the mezzanine tranche, while Japanese institutional investors provided the senior tranche.

BlueOrchard is active in promoting a gender-lens strategy across its portfolio, evidenced by the fact that more than 50% of the funds' current end-clients are women. To achieve JAWEF's targets, the fund is committed to ensuring that at least 30% of all investees serve more than 75% female clients; and that all of the funds' investees have a minimum client base of 60% women and/or the investee has a specific product aimed at empowering women.

As of 2019, JAWEF had reached 250 000 micro entrepreneurs, of which 91% of end borrowers are women. All microfinance institutions in JAWEF's portfolio have a minimum of 60% female clients. (Japan Ministry of Foreign Affairs, n.d.^[64])

2.7. Transparency and impact reporting practices

Key messages

- Blended finance vehicles dedicated to gender equality align their environmental, social and governance (ESG) safeguards to a greater variety of international standards, compared to vehicles that integrate gender equality into their investment strategy.
- A larger share of gender-dedicated blended finance vehicles measure impact compared to gender mainstreamed blended finance vehicles.
- Only 7% of blended finance vehicles dedicated to gender equality report having environmental targets. Out of the surveyed blended finance vehicles that mainstream gender equality, 31% identify environmental targets, indicating scope for further progress for gender-dedicated vehicles.
- Client declaration is the main source of information for reporting, which indicates potential room for improvement.
- Gender-dedicated blended finance vehicles focus more on economic targets than on ESG.

It is essential that blended finance vehicles ensure robust accountability and regulatory safeguards that are consistent with local and international laws, and internationally agreed standards of development co-operation.

Consideration and application of ESG safeguards should be a minimum requirement for investors seeking to finance gender equality and women's economic empowerment. Insofar as possible, development government partners and their private sector partners should go beyond ESG to assess the positive and negative effects of each investment. In other words, impact.

Transparency, defined for the purposes of this paper as “the availability, accessibility, comprehensiveness, comparability, clarity, granularity, traceability, reliability, timeliness and relevance of both ex-ante and ex-post information” (THK, 2020^[65]) on ESG and impact is critical. Transparency has been recognised as both a pillar of aid effectiveness (GPEDC, 2016^[66]) and necessary for private market growth.

However, as the Tri Hita Karana Working Group on Blended Finance has highlighted, there is an acute need for greater levels of transparency regarding blended finance operations in general, and in particular on ESG and impact reporting. Recent evidence indicates that there is little standardisation of reporting among the major DFIs in terms of project rationale, funding instrument or ESG category (Publish What You Fund, 2020^[67]). Likewise, evidence from the GIIN's research on the progress of impact management and measurement over the last three years highlights that “transparency on impact performance, including targets and results” remains one of the most significant challenges in the impact field (GIIN, 2020^[68])

Higher levels of transparency are fundamental to ensuring that development partner governments and their private sector partners provide the levels of accountability necessary for investees, and improving overall development results through sharing and learning from previous investments.

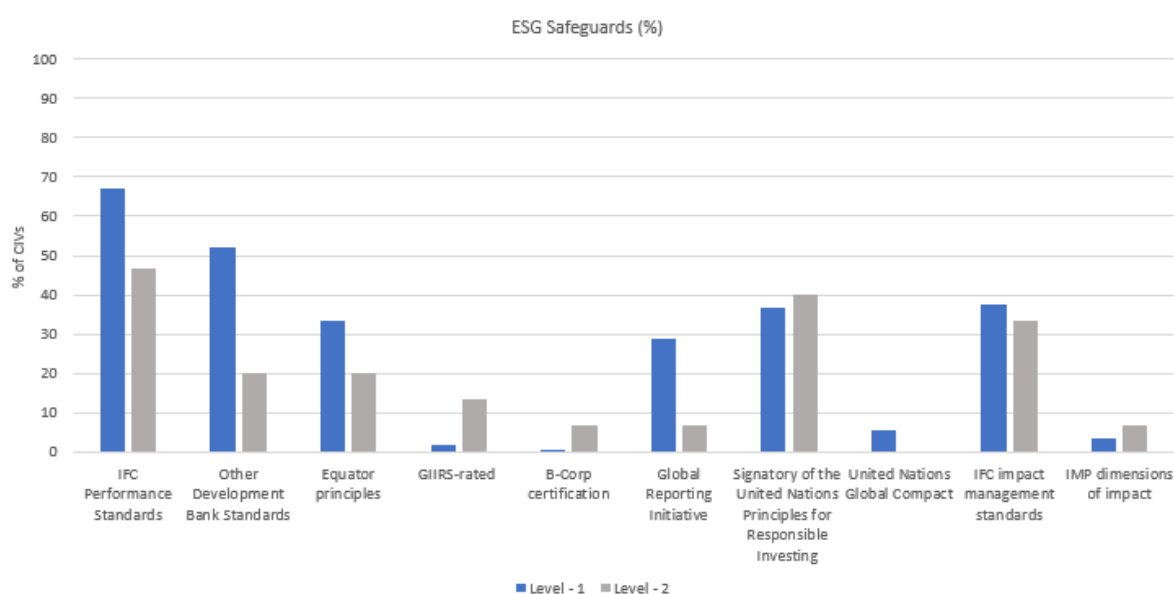
The main ESG safeguards used by surveyed blended finance vehicles differ slightly between gender mainstreamed and gender-dedicated vehicles, with gender-dedicated blended finance vehicles aligning their ESG safeguards to a greater variety of international standards, compared to gender mainstreamed vehicles ().

Overall, the ESG safeguards the most frequently used by blended finance vehicles integrating or dedicated to gender equality are the IFC Performance Standards and “Other development bank” standards

(including, for instance, those of the Asian Development Bank and European Bank for Reconstruction and Development).

However, some blended finance vehicles integrating or dedicated to gender equality do not align their ESG safeguards to any international standards: 6.5% of gender mainstreamed blended finance vehicles (11 vehicles) and 20% of gender-dedicated blended finance vehicles (three vehicles). Aligning ESG safeguards with international standards is important, as they are material to significant business risks and opportunities. The subsequent ESG analysis can then be integrated into future financial projections.

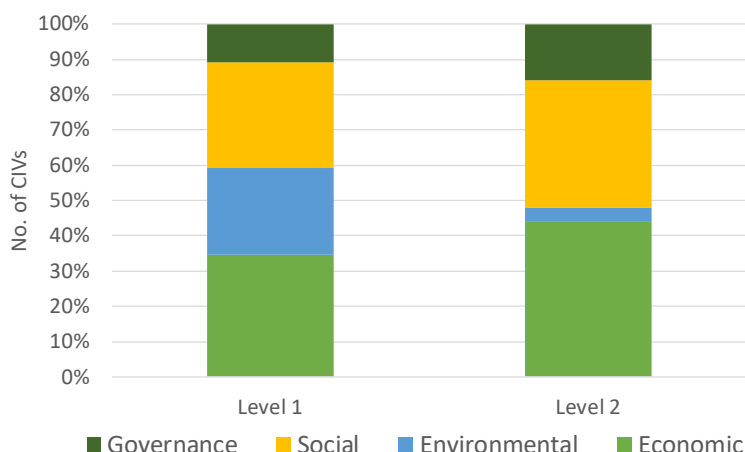
Figure 2.12. Environmental, social and governance safeguards by blended finance vehicles focussed on gender equality



Note: Level 1 = gender mainstreamed; Level 2 = gender dedicated. CIV = Collective Investment Vehicles.

Examining the ESG impact targets amongst that surveyed blended finance vehicles focusing on gender equality, economic and social feature most prominently (Figure 2.13). Economic targets are adopted by 44% of gender mainstreamed blended finance vehicles, and 73% of gender-dedicated blended finance vehicles. Similarly, 38% of gender mainstreamed blended finance vehicles adopted social targets compared to 60% of gender-dedicated blended finance vehicles.

However, only 7% of blended finance vehicles dedicated to gender equality report having environmental targets. Out of the surveyed blended finance vehicles that mainstream gender equality, 31% identify environmental targets, indicating a limited overlap overall of gender equality and environment goals in blended finance vehicles.

Figure 2.13. Development targets adopted by blended finance vehicles focused on gender equality

Note: Level 1 = gender mainstreamed; Level 2 = gender dedicated. CIV = Collective Investment Vehicles.

It is essential to report the results of development investments, including blended finance. Demonstrating the positive social and environmental impacts of investment is crucial to (i): channel finance to the areas with the highest needs; (ii) improve enabling environments with evidence as to which policies are the most effective; and (iii) hold public and private stakeholders to the same degree of accountability when it comes to achieving the SDGs.

While development partner governments have accepted evaluation criteria for the use of ODA, there is still no equivalent for private investments. In recent years, multiple initiatives seeking to assist private investors to manage and measure the impact of their investments have emerged. However, so far, these initiatives have overlooked donor priorities, such as transparency, protection of human rights and systematic local stakeholder consultation. The recently approved OECD-UNDP Impact Standards for Financing Sustainable Investment (IS-FSD) (OECD/UNDP, 2021^[49]) aim to help development partners, development finance institutions and asset managers integrate impact considerations into investment practices and decision making. Overall, this is with a view to assessing both the positive and negative effects on people and the planet, as well as including the transparent reporting of impact results.

Surveyed blended finance vehicles were invited to identify the extent to which they report inputs (all resources, whether capital or human, invested in the activities of the organisation), outputs (quantified summary of activities, such as tangible products and services, that result from the organisation's activities), outcomes (the changes, benefits, learnings or other effects that result from the organisation's activities, short or long term, negative or positive), and impact (positive, measurable social and environmental impact alongside a financial return).

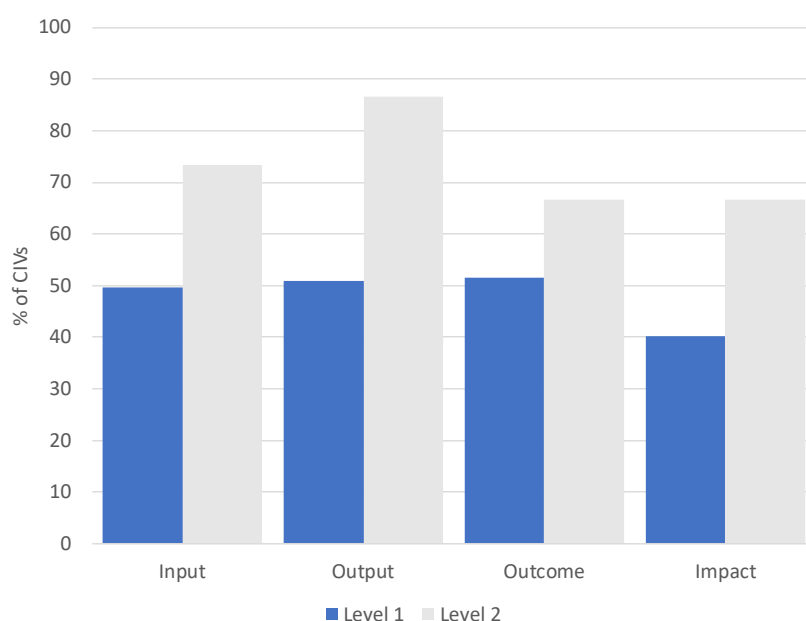
Interestingly, a greater share of gender-dedicated blended finance vehicles report defining quantitative targets at "input", "output" and "outcome" levels (respectively 73%, 87% and 67%), compared to gender mainstreamed vehicles.

However, when considering actual quantitative targets on impacts, further progress could be made for both gender-dedicated vehicles (only 67% have quantitative targets related to impacts) and for gender mainstreamed vehicles, (only 40% have such targets).

These findings reflect the challenge encountered by many blended finance vehicles and development programmes in general of measuring impact, often linked to a lack of data. However, good examples exist, including the Clean Energy Financing Partnership Facility (CEFPPF), which has clear monitoring and reporting systems in place to measure its impact. The target outcome of the CEFPPF is to increase the use of clean energy, which it measures through four quantitative indicators: 1) cumulative carbon dioxide (CO₂)

emissions reduction; 2) cumulative energy savings; 3) cumulative installed renewable energy capacity; and 4) cumulative renewable energy generation. The CEFPF also reports gender-related output indicators, such as the cumulative increase in the access to energy. According to the CEFPF's 2020 annual report, it achieved a 43% increase in the access to such projects between 2014 and 2020 (CEFPF, 2020^[69]).

Figure 2.14. Quantitative targets reported by blended finance vehicles per level of gender integration (%)

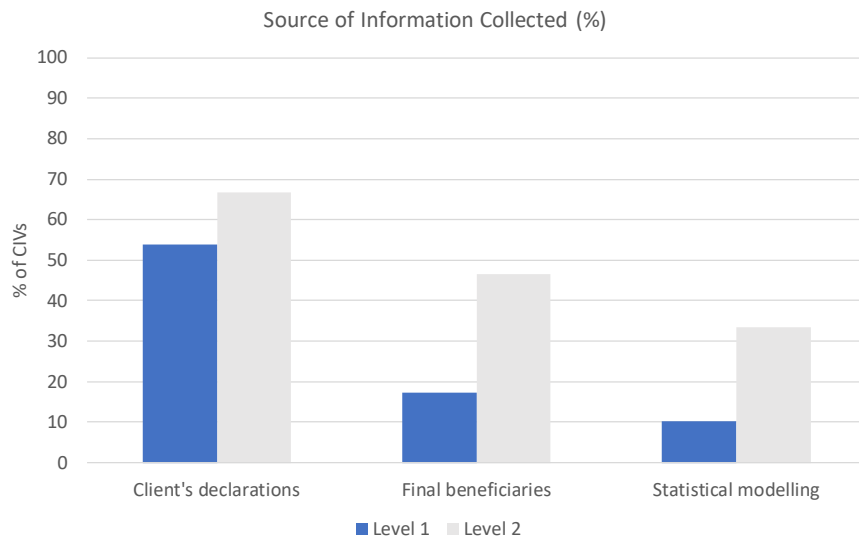


Note: Level 1 = gender mainstreamed; Level 2 = gender dedicated. CIV = Collective Investment Vehicles.

Regarding the sources of information for reporting, client declarations provide the main source for both gender mainstream and gender-dedicated blended finance vehicles, at 54% and 67% of vehicles respectively. Client declarations are often necessary when an organisation is either too resource-constrained or the circumstances (e.g. COVID-19 travel restrictions or conflict zone) do not enable sending dedicated evaluation teams to the investment location to undertake this role themselves. Nevertheless, relying on client declarations can be challenging concerning obtaining accurate, reliable data on investments. Anecdotally, DFIs often report that it can be challenging to obtain the necessary, relevant information when client reporting is used.

However, almost half of the blended finance vehicles dedicated to advancing gender equality are taking “a step further” by collecting information from final beneficiaries (seven blended finance vehicles, representing 47% of vehicles). Local stakeholder engagement is often challenging to undertake, and not systematically done. However, local stakeholder engagement is the key to ensuring the investment is meaningful and is targeting the right beneficiaries. More gender-dedicated blended finance vehicles also conduct statistical modelling compared to blended finance vehicles than mainstream gender equality, which show a higher level of sophistication as opposed to solely relying on client declarations, which can be inaccurate and incomplete.

Figure 2.15. Source of information collected by blended finance vehicles dedicated to advancing gender equality for reporting (% of vehicles)



Note: Level 1 = gender mainstreamed; Level 2 = gender dedicated. CIV = Collective Investment Vehicles.

Systematic interaction with final beneficiaries throughout the investment process is increasingly viable and cost-efficient with the use of technology. For example, with more widespread availability of mobile survey providers. As such, policy actors can use technology to gain a deeper understanding how projects function in practice, using this feedback to design better products and services, and, ultimately, ensure more investments that are impactful.

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Annex A. Methodology: Blended Finance Funds and Facilities Survey 2020

As well as expanding the evidence and building on the previous results of the Funds and Facilities Surveys carried out in 2017 and 2018, the 2020 edition includes new questions to better understand investors' approach and involvement in some of the key topics at the forefront of development work at present. In particular, there are three new areas, including gender, where data have been analysed.

The OECD is committed to ensuring that the international community delivers on gender equality and women's empowerment, and as such, the OECD DCD Gender Equality and Women's Empowerment Team recently published a paper examining investment in gender, mapping the outputs of, among others, of ODA and philanthropy (OECD, 2020^[16]). Building on this work, this paper drew on the 2020 Funds and Facilities Survey (OECD, Forthcoming^[1]) to conduct a deep dive into the gender dimension of blended finance. In order to implement the ambitious 2030 Agenda, it is critical that financial support be as dynamic as the challenges it aims to solve. Blended finance, delivered through such funds and facilities, represents one such innovative approach with the power to help deliver the SDGs. This complements other types of financing flows, discussed in detail in the aforementioned gender paper(s).

Methodology

Over 700 funds and facilities were invited to take part in the Blended Finance Funds and Facilities Survey in 2019. This population was derived from the OECD's internal database, which has been progressively expanded from the dataset initially developed by the Association of European Development Finance Institutions in 2015. Complete responses were received from 198 collective investments vehicles (blended finance vehicles), an 11% increase with respect to the 2018 survey. The responding vehicles represent a total of USD 74.5 billion in assets under management, compared to USD 60.2 billion in 2018. While not exhaustive, this increase in coverage provides broader and more comprehensive data on the emerging trends within the overall blended finance market. The OECD Funds and Facilities Survey complements other sources of data that also provide a broad picture of the state of blended finance. Table A.1 presents a summary of the structural differences between the OECD survey and other databases.

Table A.1. Structural difference across databases

Parameter	OECD Blended Finance Funds and Facilities Survey	OECD statistics on private finance mobilised	Convergence database of blended finance transactions	Development finance institutions' working groups
Sources	Surveyed managing organisations	Since 2017, reporting by governments and multilateral organisations, complemented with complementary collections to fill in data	Credible public sources and data-sharing agreements and validation exercises	Development finance institutions' financed projects

		gaps for a few data providers		
Perimeter	Blended finance vehicles at capital level	All development finance (official development assistance and other official flows for development) at activity level	Transactions using concessional (public or philanthropic) finance to mobilise additional private sector investment	Development finance institutions' transactions that combine concessional finance and/or commercial finance
Financial data captured	Assets under management in fiscal year	Only the amount of private finance mobilised through six leveraging mechanisms quantified by internationally agreed methodology	Total transaction size (including development finance) based on pledges at deal closure	Blended concessional finance project commitments
Frequency	Ad hoc surveys in 2016, 2017 and 2020	Yearly, since 2015	Continuously updated, since 2005	Yearly, since 2017

Limitations

As mentioned above, the OECD Funds and Facilities data complement other databases that are focused on different aspects of blended finance. For instance, this survey does not distinguish between concessional and non-concessional finance, and analyses overall investment rather than just private capital mobilised. However, these limitations do not impair the survey from providing a clear picture of the blended finance market from the eyes of investors in funds and facilities.

In terms of the organisations responding to the survey, large organisations account for a large part of the data and can skew the results towards one side. While this also partly reflects the reality of the market, smaller organisations are more resource-constrained and are therefore less likely to be able to respond to the survey. Therefore, there is a risk that the data may be biased towards the investments of the largest respondents.

Furthermore, due to the presence of vehicles such as “funds of funds”, there is some double counting within the 126 survey answers.

Moreover, it is important to note that due to the self-reported nature of the information collected, there is an inherent risk of a lack of standardisation. Reporting standards between survey respondents vary and inconsistencies may arise from the heterogeneity in their approaches to blended finance.