Investor toolkit with a focus on girls and young women

Product of **SPRING Accelerator**

Convergence of movements

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Convergence of movements

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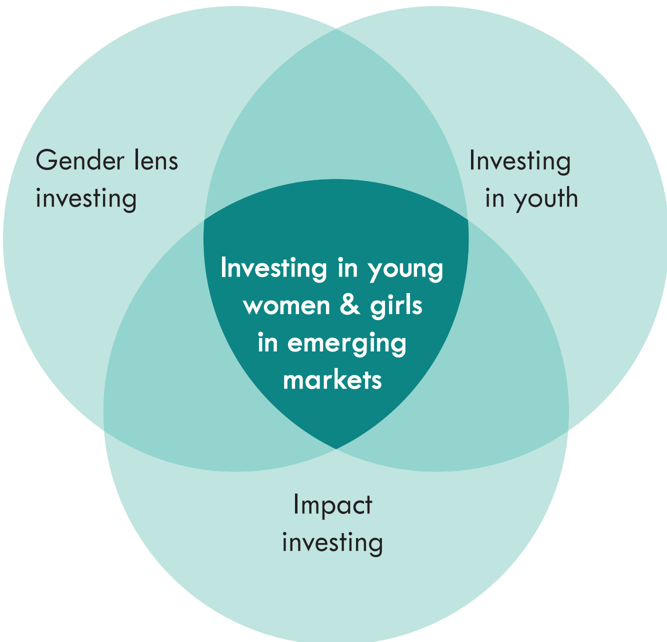
The timing is perfect for impact ventures like Kasha, as three movements have begun to converge: gender lens investing, impact investing and investing in youth (figure 1). This convergence represents a new investment frontier. An increasing number of investors are looking to achieve financial returns as well as social returns, or specific returns for gender equality and equity, and for youth.

Figure 1

Convergence of investment movements



Gender lens investing

Gender lens investing is applying a gender analysis within a financial analysis to make better predictions about risk, return and impact. It is also used to address widespread and unacceptable gender inequities that currently oppress and leave women in vulnerable situations where their human rights are violated.

Criterion Institute[1] and Jackie VanderBrug (now at US Trust/Bank of America) have created one of the most authoritative frameworks in gender lens investing, seeing opportunity through three 'lenses':

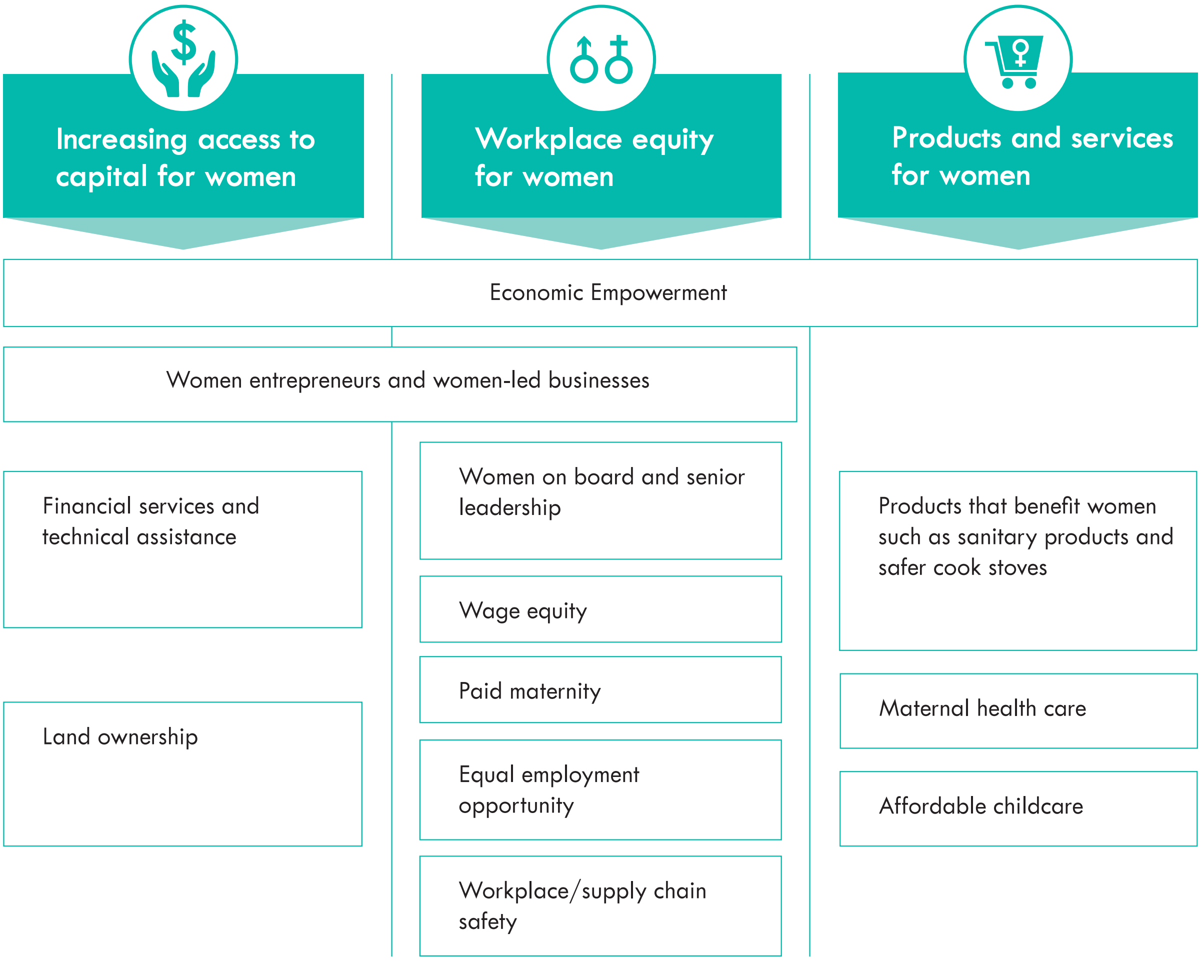
- increase women entrepreneurs' / women-owned businesses' access to capital
- promote gender equity[2] in the workplace / value chain; i.e. promoting women as leaders, employees, suppliers and distributors
- offer products and services that benefit women and girls or address women's markets

More recently, Criterion Institute has also been applying the lens of shifting gender inequities more broadly in society by addressing an existing imbalance in power. It should be noted that gender is not binary, as there are people who are just as vulnerable or disadvantaged as adolescent women and girls, who may not identify as male or female. Moreover, investments should be informed by the opinions and views of women and girls themselves to avoid a top-down approach.

Figure 2 from the Croatan Institute shows the three lenses aligned to specific issues.
This figure can help investors understand how they can make strategic investments that address pertinent challenges for gender equality.

Figure 2

Issues with gender investing



Source: Criterion Institute, Croatan Institute analysis

Impact investing

The movement that has been growing in tandem with gender lens investing is impact investing, which aims for social and/or environmental benefit in addition to financial gain. The risk-return-impact continuum, as the pipeline of impact investors grows and track record increases, is poised to disrupt the traditional investment paradigm.

Private philanthropic funders are also increasingly moving capital towards impact investing, for multiple reasons: the opportunity to align investment capital with their mission; diversify investment portfolios; reinvest investment returns in other social impact ventures or vehicles; and to spread risk between funders and investors through co-investment. Figure 3, created by the Impact Management Project and Bridges Ventures, provides an overview of the impact investing field.

Figure 3

The spectrum of capital

Approach	Financial goals	Impact goals	Description
Philanthropy	Complete capital loss	Avoid harm and mitigate ESG risks Benefit all stakeholders Contribute to solutions	Address societal challenges with donations or with the expectation of full capital loss
	Partial capital preservation	Avoid harm and mitigate ESG risks Benefit all stakeholders Contribute to solutions	Address societal challenges by supporting non-commercially viable models, inc. guarantees
Impact driven Impact first	Below-market returns	Avoid harm and mitigate ESG risks Benefit all stakeholders Contribute to solutions	Address societal challenges that require a below-market financial return for investors
	Uncharted returns	Avoid harm and mitigate ESG risks Benefit all stakeholders Contribute to solutions	Address societal challenges were returns are unknown, or investors risks largely unknown
Finance first	Target competitive risk-adjusted financial returns	Avoid harm and mitigate ESG risks Benefit all stakeholders Contribute to solutions	Address societal challenges that generate competitive financial returns for investors
Sustainable	Target competitive risk-adjusted financial returns	Avoid harm and mitigate ESG risks Benefit all stakeholders	Adopt progressive ESG practices that may/are expected to enhance value
Responsible	Target competitive risk-adjusted financial returns	Avoid harm and mitigate ESG risks	Mitigate risky ESG practices, often in order to protect value
Traditional	Target competitive risk-adjusted financial returns		Limited or no regard for ESG practices or societal impact

Source: Bridges Ventures / Impact Management Project

The business case for impact investing in emerging markets, where gender disparities are most prevalent, is becoming well known.[3] Impact investment and philanthropic investment, classified in the Bridges grid above as 'contribute to solutions', are and can be used to create scalable opportunities for girls and young women in emerging markets.

Investing in youth

Investing in youth ensures that young people can fulfil their potential and contribute to economic development. Demographics alone tell us that the inclusion of young people is key to addressing global challenges. The International Labour Organization (ILO) states that the number of unemployed young people globally reached nearly 71 million in 2016[4], And around 38% of working youths (nearly 156 million) live in extreme or moderate poverty, compared to 26% of working adults.

There are many actors within the youth investing and development space, particularly governments, corporates and multilateral organisations, such as the World Bank, which finances more than $1 billion annually to support youth investments in education, health and other sectors.[5]

Based on SPRING's experience, it is important to recognise that different entrepreneurs have different experiences and network and resources access by virtue of where they come from. Investors need to recognise that the entrepreneurs' backgrounds will affect their ability to articulate their impact, business story and capital needs.

Box 1: Demographic bomb or demographic dividend?

Having a high percentage of youth can reap demographic dividends, which refers to growth in working populations and the economy brought on by a decline in both birth and mortality rates.

Yet, according to the World Bank[6], some countries may not be able to reap the demographic dividend if a large cohort of young people are unable to find employment and earn a decent income. In turn, this may result in a 'demographic bomb', where a large mass of frustrated youth become a source of social and political instability.

End notes and references

1 The Criterion Institute (2015) The State of the field of gender lens investing: a review and a road map.

2 Gender equity looks to give deliberately focused opportunities to address the structural obstacles to people gaining those opportunities in the first place, and is distinct from gender equality, where same opportunities are given to people of all genders.

3 Responsible Research (2011) Impact Investing in Emerging Markets

4 http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_513728/lang--en/index.htm

5 http://www.un.org/esa/socdev/documents/youth/fact-sheets/youth-smart-investment.pdf

6 http://blogs.worldbank.org/delevopmenttalk/youth-bulge-a-demographic-dividend-or-a-demographic-bomb-in-developing-countries

About SPRING

SPRING is an accelerator working with growth-oriented businesses on innovations that can transform the lives of adolescent girls aged 10-19 living across East Africa and South Asia. We work with world-class experts to support these businesses to create innovations with purpose and commercial potential.