BACKGROUND

IFC, Funds, and the Gender Secretariat

IFC—a sister organization of the World Bank and a member of the World Bank Group (WBG)—is the largest global development institution focused exclusively on the private sector in emerging markets. It is also the largest multilateral provider of financing for private enterprises in emerging markets. Through private equity and venture capital funds, IFC backs promising local firms that would typically lack access to finance. IFC provides capital to funds in emerging markets, which in turn provide capital and expertise to promising companies, helping them grow, create jobs, and improve corporate governance. Over the past 10 years, IFC has committed over US$4 billion to over 200 funds across the globe. These funds have invested in over 1,600 active companies, of which 13% are women-led, supporting over 800,000 employees of which 21 percent are women.

The Gender Secretariat (GS), was set up in September 2013. The GS works across investment and advisory services to enhance gender-lens private sector development in support of the WBG’s twin goals of ending extreme poverty and boosting shared prosperity. The objective of the GS is to strengthen women’s participation in the private sector as employees, entrepreneurs, consumers and leaders across the world ultimately leading to deeper development impact.

Female representation in the venture capital and private equity sectors vastly lags that of other sectors. For this reason, IFC intends to increase its emphasis on creating equal opportunities for participation of men and women in private equity and venture capital funds, through fund manager operations and their portfolio companies.

Market Gap

Gender-lens investing, the use of gender as a category of analysis\(^1\) in investment decision making, is relatively small, but the market for integrating gender into the investment selection process is growing in both size and sophistication. In the last two years, gender lens investing for public equities has grown 5x to $560M and is continuing to steadily grow (Carlile and Pyott, 2016). We know that women are heavily under-represented when it comes to fund managers, angel and venture capital investors, and as fund

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\(^1\) Investing in companies with a gender-lens includes: i) screening portfolio companies based on gender diversity in leadership and the workforce; ii) advancing gender diversity via fund manager selection whereby women are represented in investment decision making roles; iii) investing in gender-based impact themes such as increasing access to capital to women entrepreneurs, supporting workplace and value-chain equity via gender-lens recruitment, retention, promotion, and procurement practices, supporting businesses that generate value by selling products and services that benefit women and girls; and iv) integrating gender into the financial analysis of investments from a risk perspective.
investees; yet, we also know that financial performance of companies is correlated to gender diversity. For example, UBS, a global financial services firm, found a positive relationship between gender-based investment approaches and company returns. Illuminate Ventures, a venture capital firm, found evidence of a positive relationship between gender-based investment approaches and capital efficiency, reporting that the average high-tech, venture-backed company run by a woman had annual revenues that were 12% higher than those run by men and used one-third less capital.

Following this theme, gender is increasingly becoming a key factor for demonstrating a company's commitment to environmental, social, and governance (ESG) criteria, as well as a tactic to minimize long-term risks to increase returns. Private equity and venture capital funds are an important piece of the puzzle. They play a critical role in enterprise growth, job creation, innovation, and financial security. The private equity asset class is a significant part of the capital markets ecosystem and can play a catalytic role in closing economic participation gaps between men and women.

IFC seeks to increase gender participation in three ways:

1. Increase female representation in the recruitment of Fund investment roles (e.g., fund managers, investment committees, and Limited Partner Advisory Committees)
2. Increase female employment within Funds and portfolio companies
3. Enhance pipeline development for portfolio companies that are women-owned and led SMEs and/or sell a product/service that can benefit women and girls (i.e., using a women-centric business model)

Research Concept
IFC seeks to procure a firm or consortium to research the question: How can gender-lens investing yield investment returns? The research will touch on gender participation in each of the three categories mentioned above, to build the business case and evidence around good practices and help advance IFC’s efforts to close gender gaps in access to jobs and assets.

SCOPE OF WORK
IFC and the consulting firm/consortium will publish a co-branded report quantifying the business opportunity for gender-lens investing. The main audiences are alternative asset managers, private equity firms and funds, including Limited Partners, General Partners/Fund Managers, and portfolio companies. The research will inform how funds can utilize investment capital to close economic and social gaps between men and women without compromising on return targets. The insights are intended to inform the investment strategies of Fund Managers investing in private companies in emerging markets as well as Limited Partners in allocating capital to women-led funds and portfolio companies that benefit women.

IFC intends to highlight the business case and the variety of approaches for gender-lens investments across asset classes, through a performance analysis of gender-lens investment strategies, and through

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2 While women are majority owners of 36% of registered U.S. businesses, only 5% of companies receiving equity capital and 15% of those receiving venture capital funding had women on their executive teams. (Source: Diana Project, Women Entrepreneurs 2014: Bridging the Gender Gap in Venture Capital; Executive Summary)
4 See http://www.illuminate.com/whitepaper/ to request access to the white paper.
case studies on funds and investee companies. The analysis will assess correlations between fund performance and gender diversity at the fund manager level and the fund’s investees (i.e., companies funded by private investors).

The report will build on the growing body of evidence of how gender diversity is linked to financial performance such as McKinsey, Thomson Reuters, Catalyst, and Credit Suisse. It will not include an analysis of how individual women fund managers make investment decisions versus their male counterparts; however, insights will be drawn from comparing women-led companies and funds to exclusively male-led companies and funds. Additionally, it will not assess the causes of women’s limited access to finance and leadership roles to date, as research on this already exists.

**Goals and Objectives:**

The goals of the research study are to demonstrate that gender-lens investing can yield returns, and to encourage asset managers, private equity firms, limited partners, fund managers, and international finance institutions to make new and more informed capital allocation decisions, using a gender-lens.

In pursuit of that goal, this study has five objectives:

1. Outline the **business opportunity** for private equity funds in emerging markets to invest with a gender-lens.
2. Analyze **investment performance**, such as returns and expectations, risks, and liquidity features along the range of gender-lens investment strategies at both the portfolio company and fund levels.
3. Define the **barriers** that private equity funds face to integrate a gender analysis into investment decisions.
4. Outline **approaches and good practices** of the gender-lens investment strategies, including vehicles/products.
5. Provide **recommendations** for Fund Managers on how to assess investment opportunities in emerging markets with a gender-lens.

**Methodology**

The research will examine gender-lens investing from two angles. First, a quantitative analysis of the impact a gender-lens has on funds and investee companies, followed by a qualitative analysis using case studies as examples. The proposed approach to the research is outlined below.

**Part 1: Quantitative Data Analysis**
The report will draw on an analysis of available market data from the leading private-company databases and, as available, portfolio data from funds. Data will be analyzed to better understand the performance of funds and portfolio companies that are gender diverse and to establish the business case for gender-lens investing.

**Part 2: Case Studies**
Up to 10 case study funds will be selected from various sources, including (but not limited to) IFC funds. Funds will represent a variety of geographies, sizes, assets under management, and investment theses. Proposed focus regions and economies include Brazil, China, India, and Sub-Saharan Africa: primarily
comprising Kenya, Nigeria, and South Africa, given existing levels of gender-lens investment activity in these countries.

The components to be explored in the case studies are:

1. Fund background
2. Fund’s motivation for gender-lens investing
3. Fund’s approach to a gender-lens investing
4. Investment performance
5. Lessons learned

ACTIVITIES

The firm will:
1. Review existing gender research on gender-lens investing, private equity, venture capital, and impact investing
2. Develop a research framework, which documents the final list of research questions and the approach for collecting and analyzing quantitative and qualitative data
3. Conduct data collection and analysis
4. Develop a report, which documents findings
5. Integrate IFC inputs and feedback into all drafts and submit final deliverables

DELIVERABLES

The firm will provide the following:
- Inception meeting to review existing IFC inputs, and discuss project timelines and deliverables
- Project status meetings to occur at least as frequently as every two weeks
- Research framework, which documents the final list of research questions and the approach for collecting and analyzing quantitative and qualitative data (draft and final)
- Data collection and analysis
- Report, which documents findings (draft and final)

IFC will provide guidance, input, oversight, and approval of the final research framework, as well as the draft reports and the final public report. IFC will also develop the dissemination plan, coordinate a report launch event, and implement any other activities determined in the dissemination plan. IFC may also participate in qualitative data collection as necessary.

TIMELINE

The total research, writing, editing, and dissemination process is estimated to take six to eight months from contract signing. Assuming all contractual agreements are finalized at the end of June 2018, and participating funds for case studies are agreed on by July 2018, the report would be published by end of initial dissemination efforts beginning in early 2019.

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5 Desk research will build on previous and ongoing research undertaken by IFC and stakeholders active in gender-lens investing.
EXPRESSION OF INTEREST

The expression of interest should demonstrate the following attributes:

i. A clear understanding of the mandate.

ii. Substantial expertise in venture capital as well as private equity in both developed and emerging markets, preferably with growth equity focused funds.

iii. Strong experience in quantitative and qualitative research and analysis skills (including strong econometric modelling skills and multi-country survey and interview capabilities), and report writing.

iv. Demonstrated experience conducting research related to women’s economic participation in the private sector, and shaping knowledge on innovative and emerging business topics.

v. Strong knowledge of gender gaps and the business case to close gaps across different industries and regions, and understanding of the value of women markets in private sector (preferred).

vi. Qualifications and competence of the key staff related to the assignment. Staff demonstrates qualifications in terms of quantitative and qualitative research and analysis, interview capabilities, report writing, project management, language skills (English fluency required, French and/or Spanish a plus), and ability to work and deliver in a multicultural environment.

vii. Professionalism, effective quality control mechanisms, and ability to write for a private sector audience, as evidenced through the overall writing quality of the expression of interest.