



Shared Insights Report

JULY 2022

Invest in women. Invest in the world.

The 2X Challenge was launched at the G7 Summit 2018 as a bold commitment to inspire DFIs/IFIs and the broader private sector to invest in the world's women.

The 2X Challenge 2018-2020: A Milestone for Reflection and Learning

The 2X Challenge, alongside GenderSmart, is the world's greatest collective movement of gender lens investments. Since its launch at the G7 Charlevoix Summit in 2018, the 2X Challenge has far exceeded its original goal of deploying US\$3 billion to support investees that empower women as entrepreneurs, as business leaders, as employees and as consumers of products and services that enhance their economic participation. From 2018 to 2020, 2X members alone invested US\$ 6.9 billion and mobilized altogether US\$ 11.4 billion of 2X-aligned investments across emerging markets. Moreover, the 2X Challenge is mobilizing action across the broader gender lens investing field and the investment field overall. A broad spectrum of investors is adopting the 2X criteria in their own investment portfolios and 2X is the basis of investment frameworks in other fields such as refugee lens investing. Harmonized with widely adopted frameworks like the GIIN's IRIS+ standard for impact management and measurement, the 2X criteria have quickly become a global industry standard for gender lens investing. As a result, the GLI field and the investment field overall are eagerly awaiting results and learnings from the 2X Challenge.

As the first phase of the 2X Challenge has come to an end, the time is opportune to collect and share key learnings. Learning from this first phase is a big opportunity to move the field forward by understanding what works and what does not work with implementing a gender lens investing strategy. The 2X Challenge offers a wealth of knowledge of how to create internal buy-in for a GLI strategy, how to adjust processes and systems, how to screen investments, and how to effectively engage and support investees over time. As the gender lens investing field grows, this is also an important opportunity to prove out the potential of gender lens investing – demonstrating the links between GLI investments and strong business and impact outcomes.

While it is still early days and not all of this data is available, emerging 2X datasets and insights from case studies offer valuable insights to build the evidence base for gender lens investing. Acknowledging the importance of this moment, 2X is publishing this external insights report to share key learnings and achievements with the broader field.

On behalf of the whole 2X Challenge, I would like to extend our appreciation and gratitude to the Dalberg team who have developed this learning report for us based on their audit of our 2X data and counting, collection of case studies and a series of interviews with 2X members and the broader field of gender lens investing. We are grateful to have had the Dalberg team by our side as a strategic thought partner and critical friend on this exciting journey, nudging us to increase the volume and deepen impact of our ambitions while ensuring broad buy-in across our diverse organizations and investees/clients. We also greatly appreciate the valuable insights from our partners and stakeholders who have informed this shared learning report.

Way Forward: A New Challenge and a Global Industry Body for Gender Lens Investing

Leveraging the key learnings and insights from the first 2X Challenge, we are thrilled to now count 20 DFIs and MDBs in the 2X Challenge initiative who have collectively committed to a new ambitious target of USD 15 billion for the period 2021-2022, as announced at the G7 Summit in 2021. We have strengthened the interpretation of our 2X criteria paying even closer attention to intentionality and measurable change from commitments to action. We have spearheaded new initiatives to strengthen our institutions' internal sex-disaggregated data systems, develop more nuanced theories of change, and piloted tech-enabled 2X data solutions in collaboration with Equilo for the benefit of the broader field.

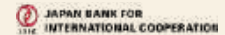
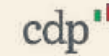
The 2X Challenge's success in mobilizing a staggering US\$ 11.4 billion in just under 3 years and with a particularly strong pipeline in the Covid-19 pandemic year 2020 has created significant momentum and attracted a broad spectrum of investors to the field of gender lens investing, eager to join the 2X Challenge. In response to this demand, the 2X Challenge in partnership with GenderSmart and the Investor Leadership Network (ILN) announced the 2X Collaborative – a new global industry body for gender lens investing – at the UN Generation Equality Forum in 2021. The 2X Collaborative now brings together the full range of investors deploying capital with a gender lens all over the world: DFIs/IFIs, commercial banks and financial institutions, pension funds, family offices, wealth and asset management firms, private equity and venture capital funds, and other capital providers, mobilizers and influencers. It provides members with access to peer learning networks, knowledge, co-investment platforms, partnership and training opportunities, and innovative investment tools. The 2X Collaborative is designed to serve investors making their first gender-focused investment as well as investors at the leading edge of the field.

We are thrilled to share this learning and insights report with the broader investment field and look forward to many new exciting opportunities for collaboration to increase the volume and impact of capital flowing towards women's economic empowerment and gender parity.

Jessica Espinoza
Chair, 2X Challenge



2018



2019



Swedfund

finnfund

2021



Observer



2X CHALLENGE
FINANCING FOR WOMEN

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Offers crisp insights into the achievements of the 2X Challenge from 2018-2020

2 Way Forward & Actions From Lessons

Highlights key actions we have taken based on lessons from the first phase of the 2X Challenge and the way forward

3 Our Learning Journey Deep Dive

Provides a deep-dive into the data pool and learning journey of the 2X Challenge based on Dalberg's evaluation 2018-2020



CHAPTER 1

Achievements of the 2X Challenge



Our Achievements

The 2X Challenge 2018-2020: Moving Capital with a Gender Lens

The 2X Challenge is a global initiative at the forefront of gender lens investing. The 2X Challenge was launched by the Development Finance Institutions (DFIs) at the G7 Charlevoix Summit in June 2018 with the ambitious goal of deploying and mobilizing unprecedented amounts of capital for private sector investments in development country markets that empower women as entrepreneurs, as business leaders, as employees and as consumers of products and services that enhance their economic participation.

Since its launch, in addition to its founding members, the DFIs from the G7 countries – BII (formerly CDC), CDP, DEG, US DFC, FinDev Canada, JBIC, JICA and Proparco, – new members have joined to expand the commitment: BIO-Invest, Finnfund, FMO, IFU, Swedfund, and SIFEM. In October 2019, the European Investment Bank (EIB) became the first multilateral development bank (MDB) to endorse the 2X Criteria.

In only two years, the 2X members committed almost USD 7 billion, surpassing the initial target of \$3 billion by more than double. Including mobilization, the 2X Challenge has collectively committed and mobilized more than US\$ 11 billion in this first phase.

In 2021, more DFIs and MDBs officially joined the 2X Challenge for the next round: IFC, EBRD, ADB, OeEB as well as MIGA as an observer.

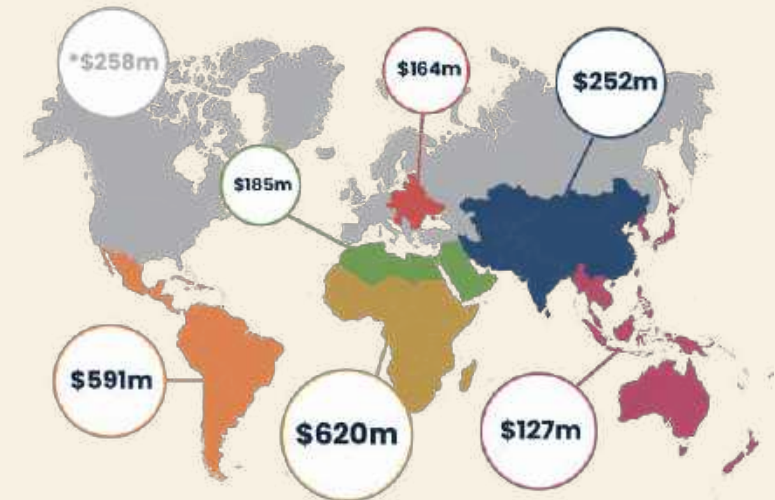
Total capital pool

3.4x target → **\$11.4bn** committed and mobilized



Regions

- South Asia
- Eastern Europe
- East Asia & Pacific
- Africa
- Latin America & Caribbean
- Middle East & North Africa
- Global*

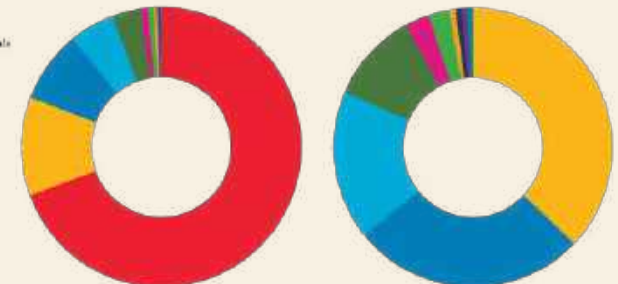


Sectors

- Financial services and multi-sector funds
- Agri-business and food
- Infrastructure
- Multi-sector
- Telecoms
- Healthcare
- Manufacturing
- Professional services
- Consumer services
- Distressed

Including financial services

Excluding financial services



2X Criteria: defining what good looks like

[Look at our document Guide to 2X Criteria](#) →



The 2X Criteria have quickly become the global standard for gender lens investing.



A broad range of investors and investee companies is adopting the 2X criteria.



The criteria and metrics are aligned with the GIIN's IRIS+ (final) and HIPS0 (in process).

2X Criteria

Fulfilling *one* criteria makes an investment 2X eligible:

| | Criteria | Threshold | |
|---|---|--|---------------------|
| 1 | Entrepreneurship | 1A. Share of women ownership | 51% |
| | | OR | |
| | 1B. Business founded by a woman | Yes/No | |
| | OR | | |
| 2 | Leadership | 2A. Share of women in senior management ¹ | 30% ² |
| | | OR | |
| | 2B. Share of women on the Board or iC ¹ | 30% | |
| 3 | Employment | 3A. Share of women in the workforce ¹ | 30-50% ² |
| | | AND | |
| | 3B. One "quality" indicator beyond compliance | Yes/No | |
| 4 | Consumption | 4. Product or service specifically or disproportionately benefit women | Yes/No |
| | | OR | |
| 5 | Investments through Financial Intermediaries ³ | On-Lending facilities: Percent of the DFI loan proceeds supporting businesses that meet direct criteria ⁽¹⁾ | 30% |
| | | OR | |
| | | Funds: Percent of portfolio companies that meet the direct criteria ⁽¹⁾ | 30% |

Sector-Specific Thresholds

| Col | Sector ¹ | % |
|------|---|-----|
| Low | Infrastructure, Power, Telecoms | 30% |
| Mid | Financial Services, Manufacturing – Heavy, Agribusiness & Food, Professional Services | 40% |
| High | Healthcare, Education, Consumer Services, Manufacturing – Light ¹ | 50% |

¹Room for judgement: Investors in unique sectors or geographies may require case-by-case consideration.



2X Criteria: Setting New Standard for Gender Lens Investing

Following the announcement of the 2X Challenge at the G7 Summit 2018, the G7 DFIs established the 2X Challenge Working Group, responsible for implementing this ambitious commitment. With support from Dalberg Advisors and investment teams and in consultation with other stakeholder audiences, the 2X Criteria were developed to define what good looks like in gender lens investing.

As members and other investors gained experience in the application of the criteria, the 2X Reference Guide for Investors was released and regularly updated to include emerging good practice. In collaboration with the Global Impact Investing Network (GIIN), the 2X indicators were released and fully integrated into the IRIS+ standard for Impact Management and Measurement. The 2X criteria and metrics were subsequently harmonized with the Harmonized Indicators for Private Sector Operations (HIPSO). Adopted by a broad range of investors across geographies, sectors and asset classes, the 2X criteria and underlying indicators have quickly become a global standard for gender lens investing.

In collaboration with UN Women, the 2X criteria have been aligned with the Women's Empowerment Principles (WEPs) and in collaboration with the OECD aligned with the OECD DAC Gender Equality Policy Marker.

The 2X Impact Management & Measurement (IMM) working group has been instrumental in these harmonization efforts which have led to the widespread adoption of the 2X criteria.



[Look at our document Guide to 2X Criteria →](#)

[See our joint paper with IRIS+ →](#)

Joint research & trainings by 2X members



In May 2020, The 2X Challenge and Gender Finance Collaborative release recommendations to put women and girls at the center of Covid-19 response mechanisms for 2X members and the global ecosystem.

BII (formerly CDC) created a free-to-use, accessible toolkit aimed at investors and companies working in our markets. The Gender Toolkit brings together resources, guidance, and templates that focus on gender-smart investing, gender diversity and inclusion, and gender considerations across a range of sectors. Central to this is the 2X Challenge which has provided the framework for this .

IFC and BII (formerly CDC) jointly developed the Private Equity and Value Creation: A Fund Manager's Guide to Gender-smart Investing. The Guide is a practical step-by-step road map for fund managers on how to strengthen gender diversity within their own firms and incorporate a gender focus into investment operations. It combines learnings from CDC and IFC's experience with over 160 fund managers and draws on best practices with a series of case studies from stakeholders across the industry.

A joint study done by IFC and FMO shows that banks that integrate non-financial services (NFS) into their women-led business plan not only see a positive ROI (return on investment) within 2 years but also give women SMEs the essential tools to unlock growth potential.

FinDev Canada developed a 2X Fund Manager Training. This training is a beginner-friendly program developed for investment professionals and fund managers to expand their capabilities on gender-lens investing using the 2X Criteria.

UN Women, Findev Canada and the African Fintech Advisory – Lelapa, facilitated in November 2019 a co-creation workshop bringing together investment officers from DFIs and female fund managers from across Africa, specialized in financing women-led businesses. A report presents the results of the workshop, includes perspectives of both constituencies on blockages to make DFI finance flow to women SMEs in the continent, and identifies concrete proposals of actions to change that through fund design using a gender lenses.

DEG launched a Gender Lens Investing microsite and jointly conducted a study with OeEB to develop more nuanced theories of change for GLI.

Communities of Practice



The 2X members have socialized the 2X Challenge through a series of training and tools and are increasingly institutionalizing a gender lens approach through each step of the investment lifecycle.

In close collaboration with the Gender Finance Collaborative, we launched Communities of Practice to promote shared research, a joint learning journey, collaboration in capacity building and training as well as co-investing. Among the most active communities of practice has been the Investment Officers (IO) working group co-led by IOs of 2X member institutions.

“The personal relationships that the IO Working Group helps to build has a big impact on our work and clients. Our IOs took a lot of information from the Quick Win calls. They presented the slides from the sessions in one of our regular meetings. We are now moving towards the next level, away from how do we start the conversation to how do we help our investees with practical tools and resources.”

Kaisa Alavuotunki, Head of Impact, Finnfund

“We couldn’t have done the Kasha deal without Finnfund and Swedfund and that was enabled by the relationships fostered by the IO Working Group.”

Loren Rodwin, DFC Managing Director, IO Working Group Co-Lead



Highlights

Developed & executed 10+ sector- and **theme-specific training sessions** in 2020 alone

Crowdsourced and co-designed demand-driven **tools for investment practitioners**

Spearheaded **regular peer sessions** to exchange on GLI investment practice, share deal pipeline, and pursue co-investment opportunities

Innovated new methods to **build deep relationships** among investment professionals across 2X members

Piloted a deal sharing and **co-investment platform** (beta version)

Investment Officer (IO) Working Group

Investment Officers are the engine for catalysing gender smart investments and delivering on the 2X Challenge objectives. We were intentional about the 'secret sauce' we wanted to create. We wanted to build meaningful and trusted relationships between IOs, seeing this as instrumental to its success. We also wanted to provide a 'safe space' and platform where IOs can share, engage, and collaborate on all aspects of their work. Finally, we identified a need to support IOs to understand the why of gender-smart investing and the how, by enabling access to the relevant knowledge, insights, tools and opportunities for co-investment and collaboration. This work has been funded by IFU, Swedfund, Norfund and Finnfund.

Achievements: The IO Working Group is now a well established community of practice. It has co-created with its members an array of tools and training resources, and facilitated the sharing of co-investment opportunities, internal strategies, policies and plans as well as emerging best-practice from the field. Some of the noteworthy achievements include a modular training program covering the investment cycle, available to all members, and a series of highly popular 'Quick-Win training sessions'. We have an ongoing series of Quick Win training sessions, covering the 2X criteria, gender-smart investing in funds, financial institutions, and the energy sector, the topic of Innovative Partnerships, and others. Based on recent feedback from members, we see that many have moved on from the why to the how of gender-smart investing, including how they can help their investees to create value. Many examples of 2X qualified investments are on the 2X Challenge website, and members have mainstreamed gender within their due diligence processes as well as their loan documentation.

Learnings

Learnings: As we reflect on the past years, three lessons are noteworthy. First, that the peer-to-peer learning is highly valued by members. Through our Quick Win sessions, IOs are able to share with each other their experiences, stories of engaging with investees/clients and their internal strategies and practices. Hearing from investees/clients is also important, and some of our sessions are curated to bring together both the investees and investors. Second, the group is effective because it meets the evolving needs of its members. However, we are mindful that the journey is not uniform across members, both existing and new joiners, so we will need to balance this in our approach. We also see both the gender and climate lenses coming together, and will seek synergies with the 2X's Climate and Gender Community of Practice. Third, an independent strategic advisor and facilitator (Chintal Barot of CoSustain) has been key to helping us create the 'special sauce' and achieving our goals.



The 2X IO's modular training program has been rolled out reaching 200+ IOs across 2X member institutions

Gender & Climate Taskforce

Gender smart climate finance is a top priority for 2X members, given the strong nexus between gender and climate goals. There is a growing body of research showing this nexus between gender equality and climate action, highlighting that we cannot achieve gender goals without climate action, and we cannot achieve climate goals without gender equality.

In 2021, the 2X Gender & Climate Taskforce, co-led by EIB, EBRD and BII (formerly CDC) co-created a Gender Smart Climate Finance Toolkit that was launched at COP 26 in Glasgow.

This guide provides extensive guidance, tools and analysis, as well as relevant case studies, to support investors to mainstream gender in their climate finance investments. The Guide features 11 sector specific and thematic guidance notes to dive into the Why? What? and How? of gender and climate investing.

Climate change and inequality are the twin challenges of our generation. Climate finance must be mobilised at scale to meet this challenge. The full participation of women as leaders, employees, entrepreneurs, and consumers is essential for climate finance to be effective and meet the climate crisis at the speed and scale necessary.

A new Gender & Climate Community of Practice under the 2X Collaborative co-led by EIB, FinDev Canada, AWE Funds and Portland Private Equity is now focusing on the practical implementation of the guide and toolkit, offering peer learning and training sessions across 2X Collaborative members. New collaborations have been inspired by the 2X Gender & Climate work, including a webinar series with The Clean Cooking Alliance on clean cooking and GLI, with Camco on distributed renewable energy and the 2X criteria, and The Rallying Cry amplifying climate-smart solutions spearheaded by women entrepreneurs and business leaders at the frontlines of climate action.



Gender Smart Climate Finance Toolkit available here:



Launched at COP 26
in Glasgow 2021



Covering key themes in climate



Manufacturing



Transport



Water Supply



Green Jobs



Financial Services



Energy



Agriculture



Adaptation



Biodiversity



Cities



Mitigation

Gender Finance Legal Toolbox

Project Aurora

Bold, fearless and ambitious

2X has partnered with Hogan Lovells and GenderSmart to develop a legal playbook for gender finance.

Project Aurora aims to provide capital allocators (including mainstream finance institutions) with a “gold standard” toolkit of gender lens definitions and contractual terms and conditions for use in debt and equity documents in order to:

- increase awareness and engagement of gender lens investing amongst investors and financial institutions (including mainstream private investors and transactions with no sustainability angle); and
- increase efficiency, reduce costs and contribute to the standardisation of key definitions and contractual terms.
- Project Aurora will collaborate with industry bodies, practitioners and key stakeholders to launch an industry-endorsed legal playbook for the benefit of the global field.

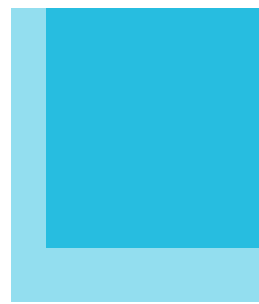


CHAPTER 2

Way Forward & Actions From Lessons



Way Forward: Highlights



The 2X Challenge 2021-2022: Scaling our Ambitions

With the success of the 2X Challenge so far, a new ambitious target aims to collectively commit and mobilize USD 15 billion over the period of 2021-2022.

The next challenge is to collectively commit and mobilize US\$ 15 Billion over the period 2021-2022. Under that target, US\$ 5 Billion will be committed through the 2X Flagship Funds concept. The Flagship Funds portfolio is a co-investment platform among 2X members as well as a mechanism to mobilize commitments from other commercial players.

The new target was officially announced at the G7 Summit 2021.

2X Collaborative: Launching a Global Industry Body

In response to global momentum, we launched a new industry body for gender lens investing convening the entire spectrum of capital providers, mobilizers and influencers.

The 2X Collaborative was launched at the UN Generation Equality Forum in 2021 and formally started operations as a standalone legal entity in January 2022.

2X Certification: Next Frontier of Standard Setting

Taking our standard setting work to the next level, we are launching a co-creation process to develop an industry-shaped, universally available 2X Certification mechanism.

The 2X Certification mechanism will be publicly announced at the G7 Summit 2022 under Germany's G7 Presidency marking the kick-off of a co-creation process to build the industry-endorsed certification scheme.

2X Flagship Funds Initiative: Mobilizing LPs

Creating Deal Pipeline with 2X Flagship Funds

One of the best ways to scale the impact of our capital – and also to mobilize investment from a broader range of institutional and commercial investors - is to invest in funds and intermediary platforms that in turn invest in women through gender-smart businesses.

As part of our new 2X Challenge commitment, we are developing a portfolio of gender-smart funds, who are committed to both improving gender diversity in the investment industry (within the fund managers themselves) and also to investing with a gender lens to build gender-smart portfolios.

The three tiers of the 2X Flagship Funds portfolio:

1. GROWTH

- High-performing, top-quartile PE and credit fund managers
- \$3-\$1 bn fund size
- Regionally focused – emerging markets
- Committed to building gender balance at 2 levels

DPI

2. PIONEER

- Gender balanced PE and credit fund managers with clear GSI strategies
- \$20-\$500 m fund size
- Committed to building commercially successful, gender-smart PE and debt funds

3. VENTURE

- Gender balanced VC fund managers with clear gender-smart investment strategies
- \$15-\$100 m fund size (targeting 10 funds in the portfolio)
- Committed to building commercially successful, gender-smart VC funds



Target size

\$3bn

\$1.5bn

\$0.5bn



Mobilizing global LPs to co-invest into vetted pipeline of 2X Flagship Funds

- Elected, dedicated Committee responsible for the 'vetting' (commercial & gender) and decision on funds entering the pipeline with a 2X Flagship Fund stamp.
- Each investor follows own internal approval process for investments in 2X Flagship Fund pipeline.

2X Flagship Funds Initiative

CASE STUDY

DPI

African Development Partners III Fund (ADP III) is the first 2X Flagship Fund in the “growth tier”, managed by Development Partners International (DPI), a leading pan-African private equity firm with a clear and long-standing commitment to advancing women's economic empowerment and promoting gender equity within DPI and their portfolio.

ADP III exceeded its US\$800 million target, and is set to hold a final close at US\$900 million, with an additional US\$250m of dedicated co-investment capital. This brings a total of US\$1.15 billion for investments on the continent.

ADP III will invest in businesses that benefit from the growth of the emerging middle class across Africa. Applying gender smart practices helps investors unlock the multi-trillion-dollar opportunity that women represent in the global economy – as earners, women have a multiplier effect by reinvesting their income to grow their businesses, buy goods and services and improve the welfare of their families and communities.



[Read article →](#)

CASE STUDY

ALITHEIA IDF

Alitheia IDF (AIF) is the first 2X Flagship Fund in the “pioneer tier”, providing catalytic capital to high growth SMEs by proactively investing in a diversified portfolio of women-owned, women-led or women-serving companies in order to generate superior financial and social returns. With a focus on Western and Southern Africa, AIF targets expansion-ready SMEs active in its priority sectors – agribusiness and essential goods/services – and equips them with the catalytic capital, strategy and business support needed to scale.

AIF takes a holistic and integrated approach, embedding gender dimensions and outcomes at every stage of the investment process from eligibility to exit. At pre-investment, based on the assessment of its gender performance, the SME is placed on a spectrum ranging from Gender Negative to Gender Strategic, and a gender value creation plan is implemented to track and improve outcomes for women, and the gender smartness of the SME as a whole throughout the investment period.

Through its pioneering \$100 million fund, AIF will support 13 high growth SMEs, creating quality employment of up to 23,000 direct and indirect jobs, enable access to essential services for 5 million women and girls; and touch up to 15 million lives while increasing incomes and enhancing the roles of women as owners, employees, value chain players or consumers in emerging African economies.

[Read press release →](#)

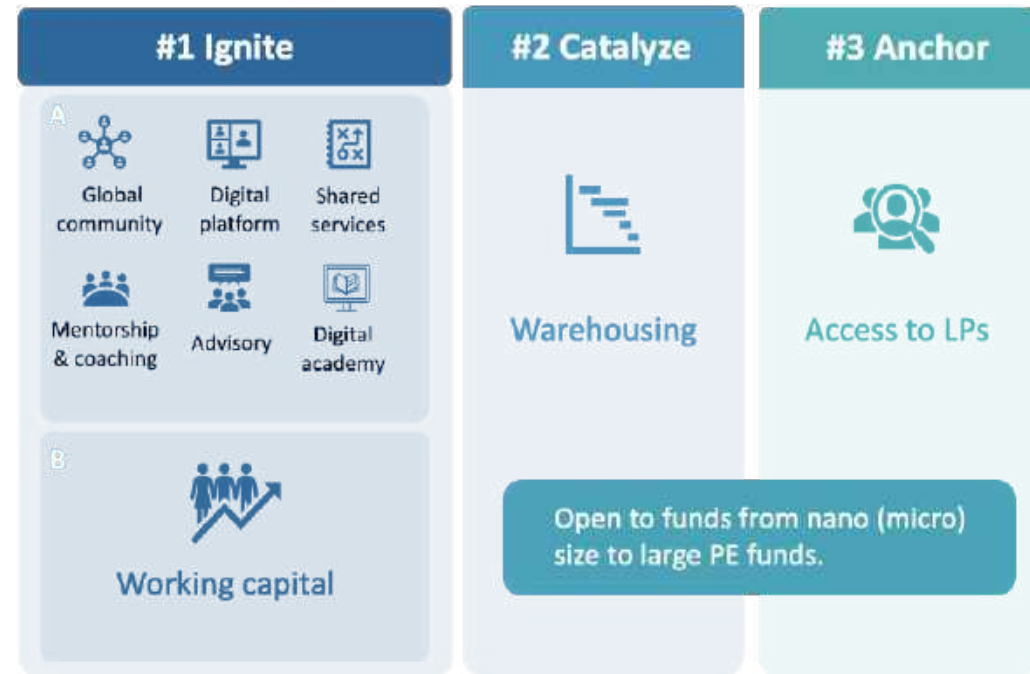
A facility to build the market for gender-smart fund managers



2X Ignite is the outcome of a groundbreaking co-design sprint run with 120+ fund managers and fund investors globally to unlock capital for gender-smart businesses at scale. Gender bias is failing underrepresented fund managers, founders and gender-smart businesses. Reflecting on the key lessons drawn from the first 3 years of the 2X Challenge which from 2018 and 2020 invested and mobilized USD 11.4 billion of gender lens investments under the 2X criteria, we identified specific, persistent inequalities and systemic barriers limiting the volume and impact of capital flowing towards gender-smart funds and underrepresented founders. This has inspired us to bring together a global group of investment practitioners to collectively design a market-building solution: 2X Ignite. The target group of 2X Ignite are the dozens of gender-smart fund managers that have come to market with interesting and impactful investment strategies in recent years, which have struggled in fundraising from LPs as they are often emerging or first-time fund managers. These fund managers and LP investors together have co-designed 2X Ignite to help the next generation of diverse fund managers with GLI strategies reach first close faster.

We are looking for partners across all regions to bring 2X Ignite to life!

[More about 2Xignite →](#)



2X Ignite: An innovative design sprint to co-create a gamechanging market building solution



An initiative created by:



Combining fund expertise and gender finance expertise

With contributions from, amongst others:



Addressing a market failure to sufficiently finance women investors & gender smart entrepreneurs



A true industry-wide partnership

An innovative solution across all emerging market regions

5

Regions

20

Fund managers per region



100 fund managers



1,000+ enterprises



Five Regions

| | |
|---|--|
| <ul style="list-style-type: none"> ■ Latin America / Caribbean ■ Sub-Saharan Africa ■ Middle East / North Africa (MENA) Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, Yemen | <ul style="list-style-type: none"> ■ South Asia India, Pakistan, Afghanistan, Bangladesh, Nepal, Sri Lanka, Bhutan ■ South East Asia / Pacific Every country east and south of Myanmar |
|---|--|

Events of 2020 highlighted the inequalities in society, both because of the COVID-19 pandemic that increases inequalities, as well as the Black Lives Matter (BLM) movement. It has shown the importance for public, as well as private, organizations to take action. We formed a 2X Plus Taskforce on the intersectionality of Gender and Diversity, Equity and Inclusion (DEI). The 2X Plus Task Force collaborates closely with the JEDI working group of GenderSmart.

The objective of the 2X Plus Taskforce is to reflect on what an intersectional approach to gender and DEI in the private sector could look like in the emerging markets where 2X Challenge members invest. In light of this, the Task Force is commissioning a study to support the 2X Challenge to develop an approach to intersectionality and DEI in its engagement with clients and investees throughout the investment process.

The resulting 2X Plus engagement framework will be shared with the global GLI community. Stay tuned!



Leveraging Finance to Tackle GBVH

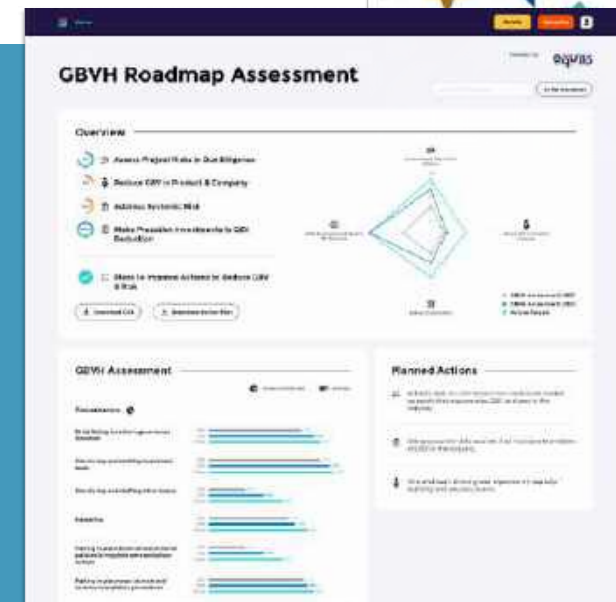
Better standards and assurance, greater credibility and impact also means we need to go deeper into specific issues and recognize important aspects of intersectionality across GLI themes and trends. An insightful example of how the industry is moving towards better standards for practices and processes beyond volumes and outcomes is gender based violence and harassment (GBVH).

There is today significant consensus among investors and investee companies as well as broader stakeholder groups that the “opportunity side” of GLI must go hand-in-hand with the “risk side”. While 2X has always had a strong ESG risk management foundation, there is a strong case for investors and investees to raise the bar on tackling GBVH not only within their own projects but also within the broader environment through their power and influence.

Violence Against women and girls is a fundamental human rights violation and costs to the global economy a staggering US\$1.5 trillion every year. The 2X Collaborative recognizes that financial institutions and investors are crucial actors in addressing GBVH and we are committed to changing investment practices in order to leverage finance as a tool to tackle GBVH. 2X members IFC, EBRD and BII (formerly CDC) collaborated on a practitioner guide “Addressing Gender-Based Violence and Harassment: Emerging Good Practice for the Private Sector” which serves as a great starting point.

2X has partnered with Criterion Institute, a globally recognized thought leader on GBVH and investing, to go further faster and move the needle on addressing GBVH through systems of finance. In 2021, Criterion in collaboration with 2X under leadership of FinDev Canada, developed a Roadmap for DFIs (building on previous roadmaps for other types of investors) showing a suite of clear strategies.

2X is partnering closely with Criterion and Equilo to leverage the groundbreaking GBV Risk Score tool launched by Criterion and Equilo and build capacity among the full range of investors active in the 2X Collaborative. Additional Equilo-powered GBVH risk assessment tools are underway to drive action and spearhead more innovative approaches.



Guidance for Infrastructure Investments

2X members and the wider field of GLI have been keen to meaningfully apply the 2X criteria to infrastructure projects, yet in practice this has often been challenging given the complexity and size of such investments.

Guided by Dalberg and under EIB's leadership, 2X Challenge members jointly developed targeted guidance on how to apply the 2X criteria to infrastructure investments, specifically criteria 4 on consumption, given the importance of gender-responsive project design in infrastructure.

This new guidance has been incorporated into version 2.0 of the 2X Reference Guide available on the 2X Challenge website. We encourage infrastructure investors to use it as practical guidance and share learnings with the broader 2X Collaborative.

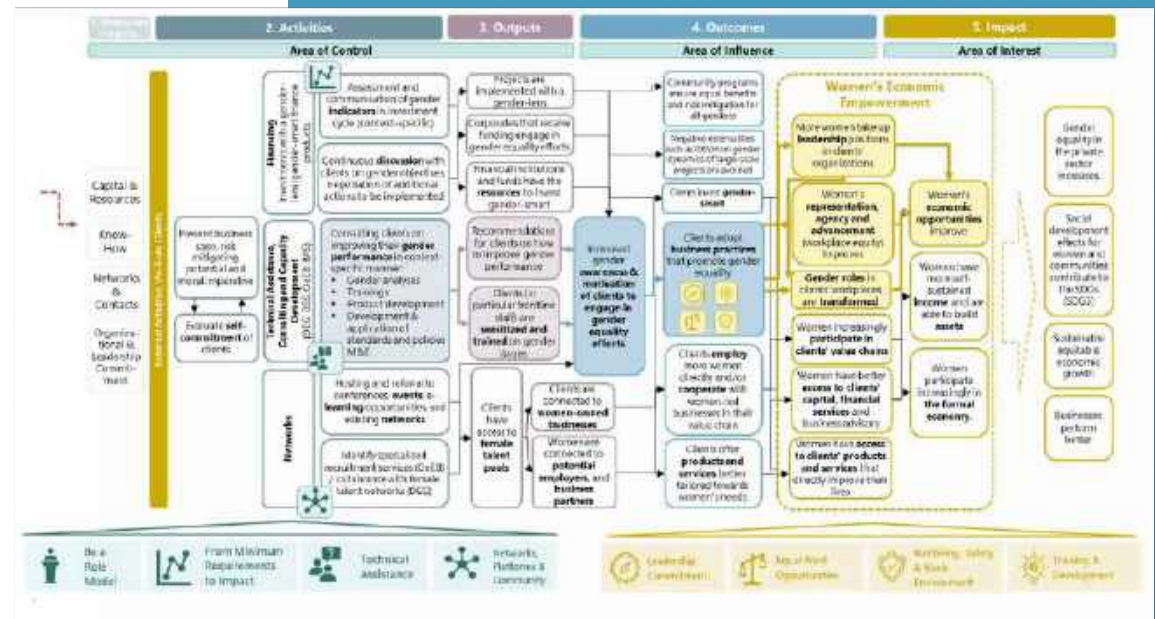


More Nuanced Theories of Change

2X members have spearheaded new collaborations to explore more nuanced theories of change, strengthening the evidence base and intentional impact creation. This includes research collaborations among 2X members and research institutes as well as partnerships on impact management and measurement (IMM) frameworks.

For example, DEG and OeEB collaborated for a joint gender study conducted together with Syspons. The project started with 2X data collection across the entire portfolio of DEG and OeEB to establish a baseline. Syspons also conducted research on the global evidence base of gender impact pathways together with an academic researcher experienced in the gender & development space. These insights were complemented with case studies of DEG and OeEB investees/clients as well as in-depth interviews with peer DFIs/MDBs and key GLI stakeholders, resulting in a more rigorous and nuanced theory of change and IMM framework, which is now being integrated into DEG's and OeEB's investing and impact systems.

All insights from the project are published on the DEG and OeEB websites to inspire knowledge exchange and a shared learning journey with other 2X members and the wider field.





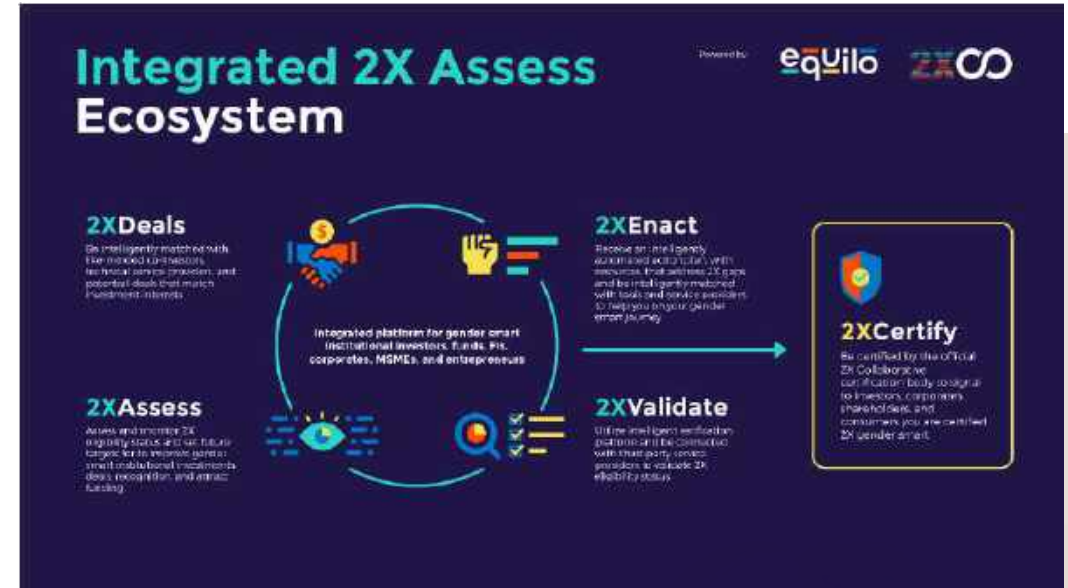
Innovation in 2X Data powered by Equilo

2X has partnered with Equilo to co-create tech-enabled 2X tools, taking 2X data collection, analysis, reporting and monitoring to the next level.

The new 2X Assess tool allows investors, financial institutions and companies to collect data on the 2X criteria and underlying harmonized metrics, provide supporting documents for validation and add further insights on intentionality ensuring higher data quality and up-to-date data. This tech-smart solution enables a seamless data collection and analysis process, instant benchmarking and context analysis on a bespoke dashboard, harmonized reporting to multiple parties, setting of action plans and targets, regular monitoring and steering towards impact.

The tool can be used as an impact management and measurement (IMM) tool across the whole investment or financing cycle. This game-changing data solution provides a strong foundation for data validation as the first step towards 2X certification.

Excitingly, the 2X Assess tool is seamlessly connected with the next iteration of our 2X deal making platform. The 2X Deals platform, hosted by Equilo, allows 2X investors and 2X-aligned companies and financial intermediaries get matched according to sophisticated 2X, commercial and impact criteria.



Launched at the UN Generation Equality Forum 2021

2X COLLABORATIVE

in partnership with

**GENDER
SMART**

**INVESTOR
LEADERSHIP
NETWORK**

A Global Industry Body for
Gender Lens Investing
convening the entire
spectrum of capital
providers & mobilizers



2X COLLABORATIVE

A global industry body for gender lens investing

The 2X Collaborative (2XC) is a leading industry body for gender lens investing, launched at the Generation Equality Forum 2021 in partnership with GenderSmart and the Investor Leadership Network (ILN). It builds on the 2X Challenge which has invested and mobilized more than US\$ 11 billion under the 2X criteria since its launch at the G7 Summit 2018.

The 2X Collaborative now brings together the full range of investors deploying capital with a gender lens all over the world: DFIs/IFIs, commercial financial institutions, pension funds, asset & wealth managers, family offices, private equity and venture capital funds, and other public and private sector investors and capital influencers. It provides members with access to peer learning networks, knowledge, co-investment platforms, partnership and training opportunities, and innovative investment tools. The 2X Collaborative is designed to serve investors making their first gender-focused investment as well as investors at the leading edge of the field.

Core partner of the 2X Collaborative is GenderSmart – together we act as a one-stop-shop for gender lens investing.



Key Benefits the 2X Collaborative provides:



Leading industry body for gender finance, organized as a structured network with membership open to the spectrum of capital providers, mobilizers and influencers.



Unique platform for deal pipeline, peer-learning, shared tools.



In partnership with GenderSmart, a one-stop shop that connects the dots between the suite of initiatives, resources and innovations globally.

Members



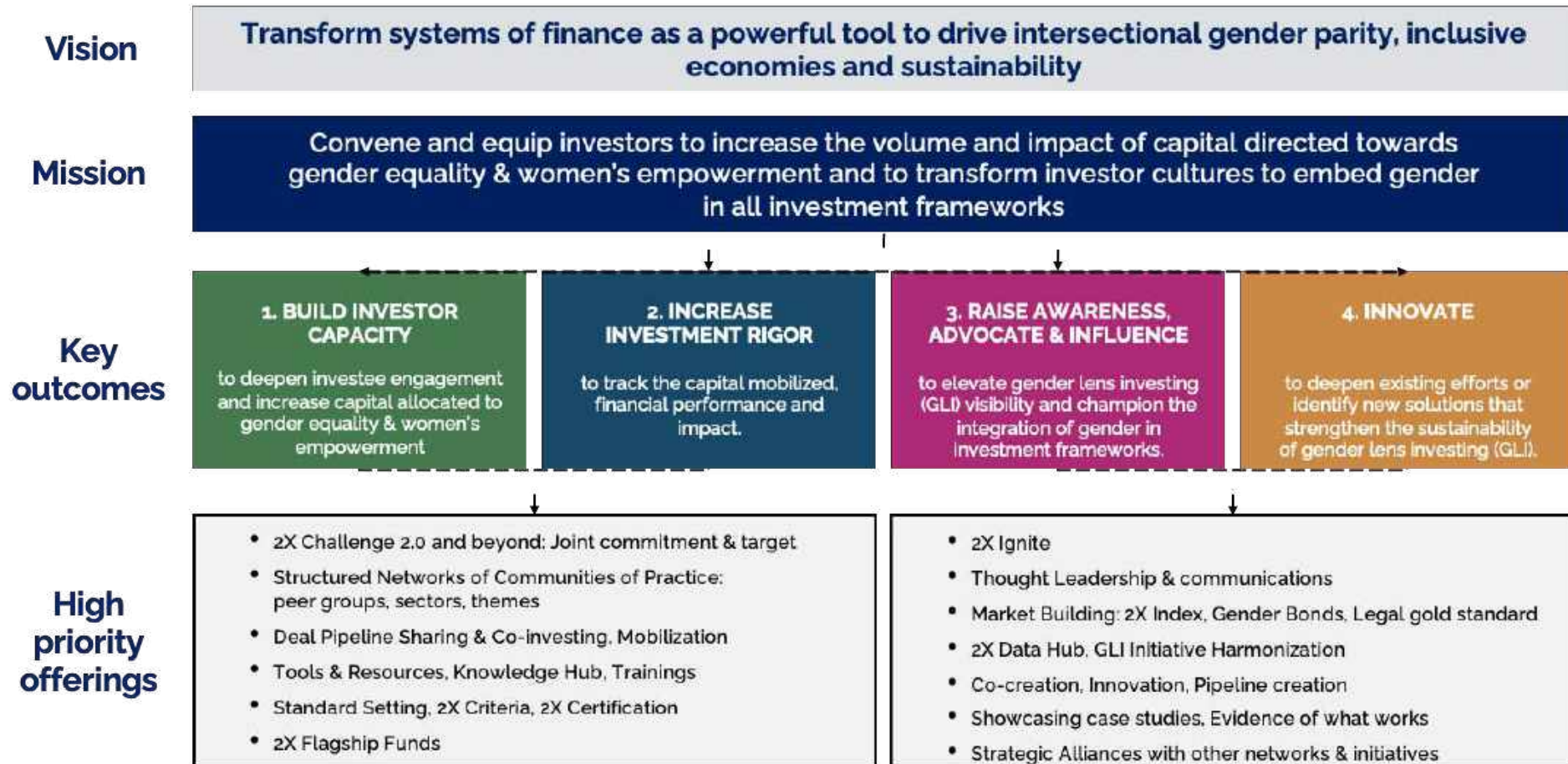
Core partners



Collaborating partners



The 2X Collaborative Model is based on Real Investor Needs



2X Certification: Next Frontier of Standard Setting

G7 Summit 2022 Announcement

With the rise in gender-lens investors, GLI funds, 2X-aligned companies and instruments like 2X-aligned gender bonds and sustainability-linked loans, there is significant demand among public and private sector investors, companies and financial institutions for an independent universally available 2X Certification mechanism in order to move beyond self-assessments and be able to rely on third-party verification, assurance and certification. The 2X Certification mechanism will create more transparency, accountability and credibility in the global field of GLI by differentiating between different levels of rigor, providing a benchmarking of where different actors stand compared to their peers and where concrete areas of improvement lie. 2X Certification shall be available to 1) companies (differentiating for SMEs and corporates), 2) funds, 3) financial institutions, 4) institutional investors and 5) instruments and products like gender bonds or sustainability-linked loans.

The 2X Certification mechanism will be publicly announced at the G7 Summit 2022 under Germany's G7 Presidency marking the kick-off of a co-creation process to build the industry-endorsed certification scheme. The independent and universally available 2X Certification mechanism will take the previous standard setting work of the 2X Challenge and 2X Collaborative to the next level. In response to significant demand from GLI actors and stakeholders, it will provide the foundation for accountability, credibility and deeper impact of GLI. 2X Certification is a powerful lever to unlock gender-smart capital at scale and deliver on the 2X Collaborative's goal of increasing the volume and impact of GLI across asset classes, sectors and geographies globally.

We invite the full spectrum of GLI actors to join us in

- Co-creating an industry endorsed 2X Certification mechanism
- Co-funding the development of a 2X Certification mechanism which will subsequently be self-sustaining



CHAPTER 3

Our Learning Journey Deep Dive



Executive Summary

- **During the first phase of the 2X Challenge, Members have mobilized over USD 11Bn to 2X-eligible organizations, significantly exceeding the initial USD 3Bn commitment.** 2X Members themselves have invested almost USD 7Bn in 2X eligible deals. About 70% of total 2X funds were invested in the Financial Services sector (including funds)
- **The 2X Challenge supported all Members in mainstreaming gender within their organizations.** Gender has become a key organizational priority for several 2X members, often alongside climate or other dimensions of diversity. Members have socialized the 2X Challenge through a series of training and tools and are increasingly institutionalizing a gender lens approach through each step of the investment lifecycle
- **The engagement between 2X Members has been highly collaborative; however, Members are moving at different speeds.** 2X Members differ in the size of their gender resources and the prominence of gender in their organizational agenda, leading to a differentiated approach to integrating the 2X Challenge. As the Challenge continues to grow, Members will need to be mindful of maintaining their strong collaboration even with differentiated focuses and resources
- **Both 2X Members and external stakeholders are keen to further understand and enhance the impact of the 2X Challenge, however comprehensive data is just starting to get tracked.** The majority of deals qualify on a single criterion, thus presenting an opportunity to enhance the gender efforts of investees. Overall, data collection against the 2X criteria and other impact metrics is just starting to get systematically collected. This will make a comprehensive assessment of the impact that the Challenge has had on investees and women in developing countries possible in the years ahead
- **The 2X Challenge has increased the understanding and influence of gender-lens investing (GLI).** 2X Members have been highly visible and have contributed significantly to increasing awareness of GLI within multiple communities of investors, with a particular influence on peers and those that may seek DFI funding
- **For the next phase of the 2X Challenge, there is a clear push from the broader market, as well as some Members, to be more intentional in generating and capturing impact.** There is an opportunity to support investees to continue to make progress on key gender priorities.

This 2X learning report was developed by Dalberg



Across the report, we use the following color-coding system



Observations based on interviews and data analysis



Common and emerging practices from 2X Members



Forward-looking considerations and recommendations



Specific spotlights from Members, external stakeholders or investees¹

Note: [1] Spotlights do not exhaustively cover all Members' practices, but aim to cover a subset of best practices

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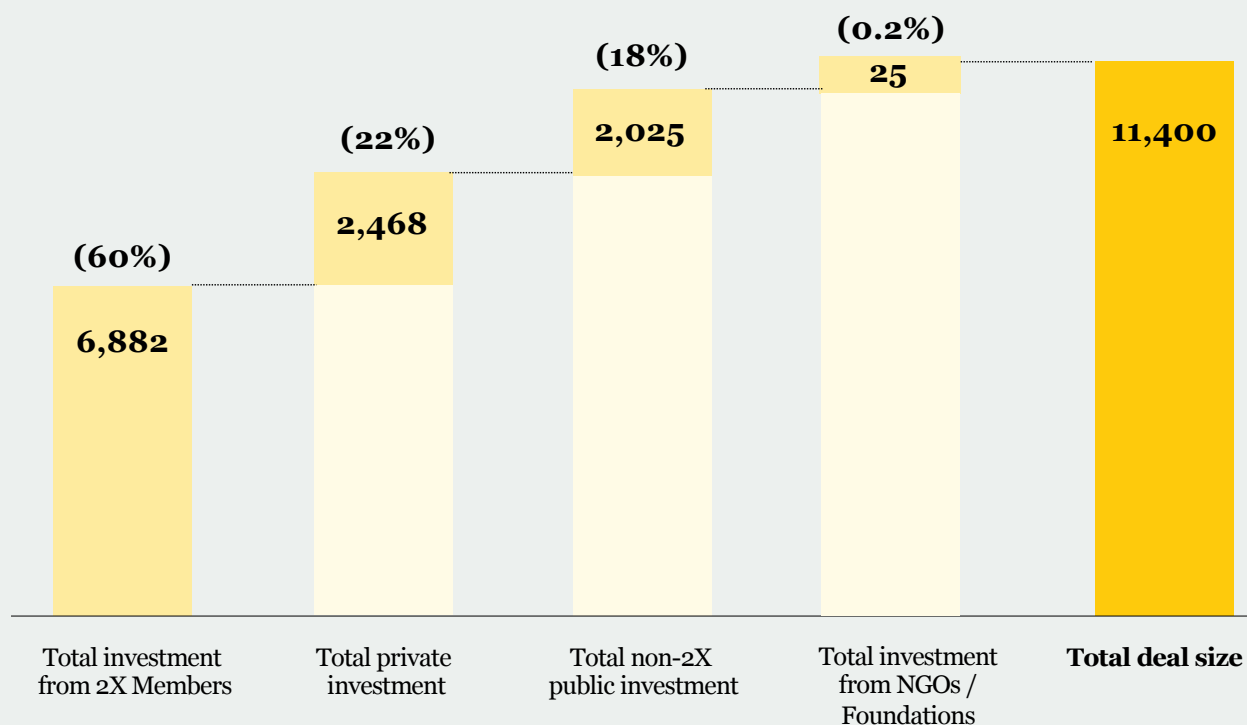
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2X-qualified deals total USD 11.4B since 2018



Total investment into 2X-qualified deals Jun 2018-Dec 2020 investment, USD Millions



Observations

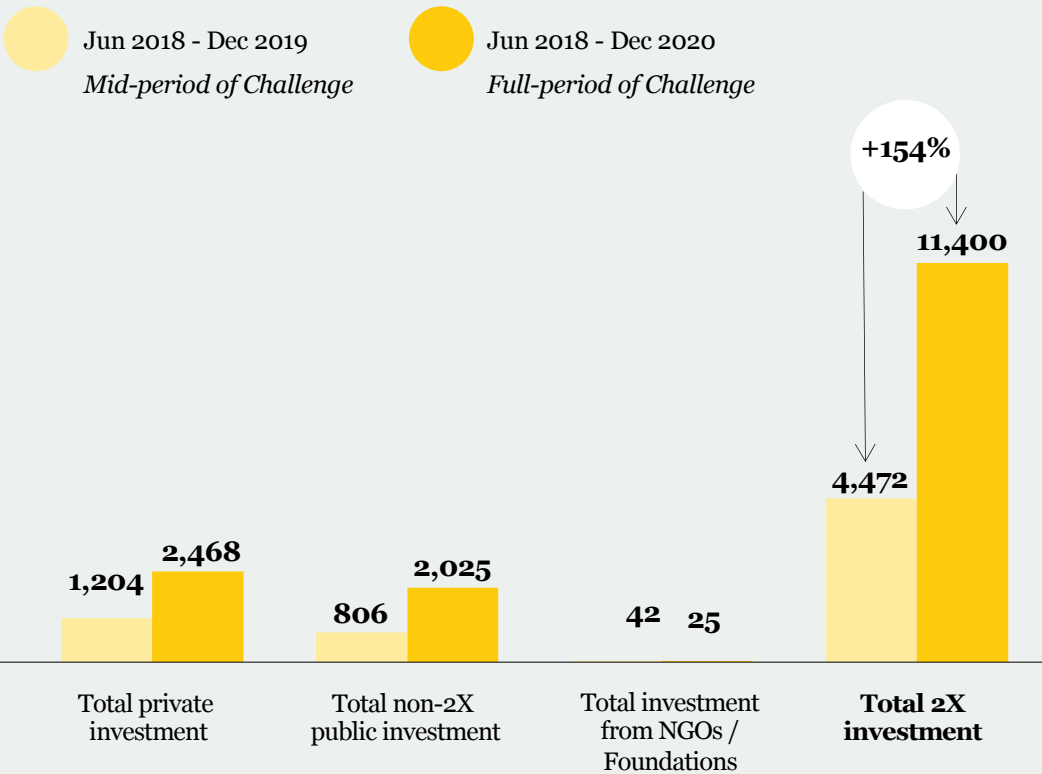
- 2X Members have engaged in a total of 218 deals, including 31 2X co-investments
- Average deal size (~USD 50M) is over triple the median deal size (~ USD 16M), reflecting the presence of some significantly larger deals
- 39 deals exceed USD 100M in size, of which 21 were concluded in 2020

Source: Dalberg analysis, 2X investment portfolio data. Note: This data covers 218 deals which were qualified by 2X Members between June 2018 and December 2020. It includes investments from thirteen Members of the 2X Challenge, including 31 co-investments. This reporting round includes one more Member than the last learning report

In the COVID-year 2020, the 2X capital pool has grown by almost 170%



Total investment into 2X-qualified deals Jun 2018-Dec 2019 and June 2018- Dec 2020 investment, USD Millions



Observations

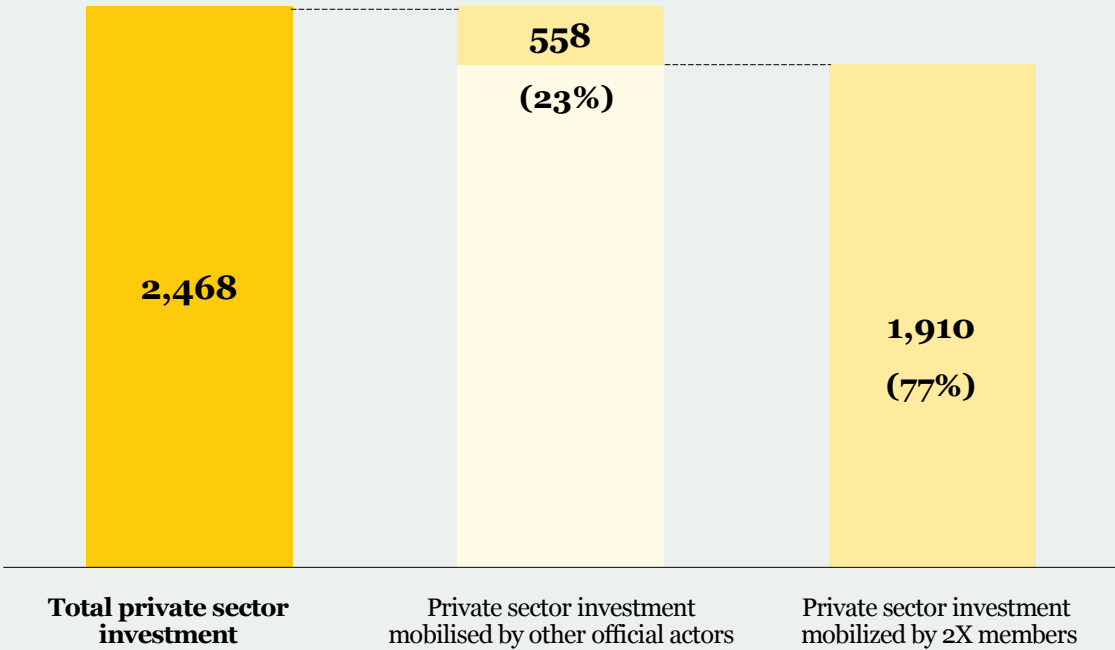
- Despite the COVID-19 crisis, total 2X investment has doubled since the last learning report
- This growth is partially due to the inclusion of a new Member and initial reporting for an existing Member
- The bulk of the growth was driven by an almost 2.5X increase in the value of deals in the Financial Services sector, in line with recommendations from 2X and the Gender Finance Collaborative to inject capital in the market via intermediaries to support COVID-19 rapid response efforts¹

Source: Dalberg analysis, 2X investment portfolio data. Note: This data covers 218 deals which were qualified by 2X Members between June 2018 and December 2020. It includes investments from thirteen Members of the 2X Challenge, including 31 co-investments. This reporting round includes one more Member than the last learning report. 1) <https://www.2xchallenge.org/press-news/2020/04/07/2x-challenge-and-gender-finance-collaborative-response-to-covid19-pandemic>

77% of private co-investment in 2X deals is attributable to 2X members



Total private investment into 2X-qualified deals¹
Jun 2018-Dec 2020 investment, USD Millions



Observations

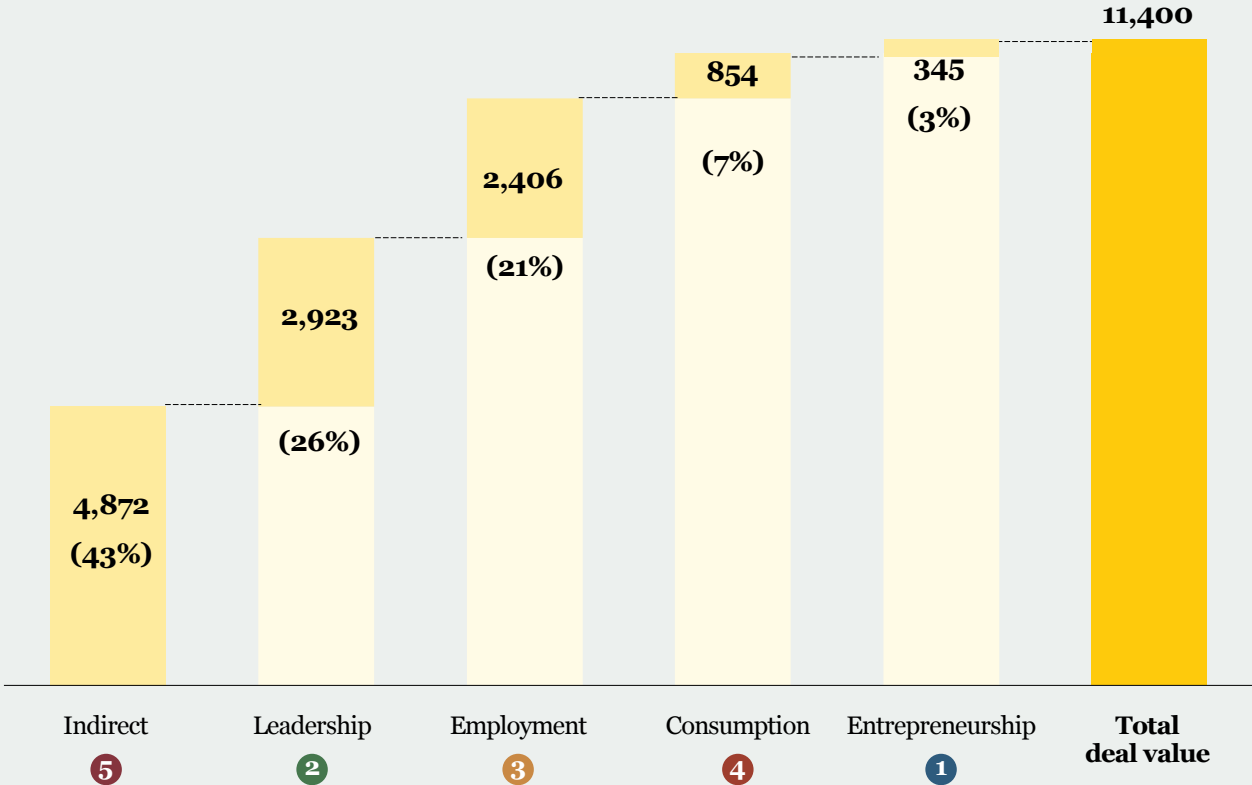
- 2X members mobilized 77% of all private sector investment²

Source: Dalberg analysis, 2X investment portfolio data. Note: This data covers 218 deals which were qualified by 2X Members between June 2018 and December 2020. It includes investments from thirteen Members of the 2X Challenge, including 31 co-investments. This reporting round includes one more Member than the last learning report. [1] The figure for private sector investment mobilized by 2X Members should only be considered an estimate and is thus imperfect. Due to lack of data from Members, the estimate was completed using limited available data points. [2] This has been calculated in line with OECD Private Sector Mobilization principles.

The indirect criteria has been the most widely used



Value of investment per 2X criterion¹
Jun 2018-Dec 2020 investment, USD Millions



Observations

- ~45% of deals qualify under more than one criteria
- Although Entrepreneurship remains the least represented criterion, investments qualified under the indirect criteria are often aimed at promoting women’s entrepreneurship through financial intermediaries.

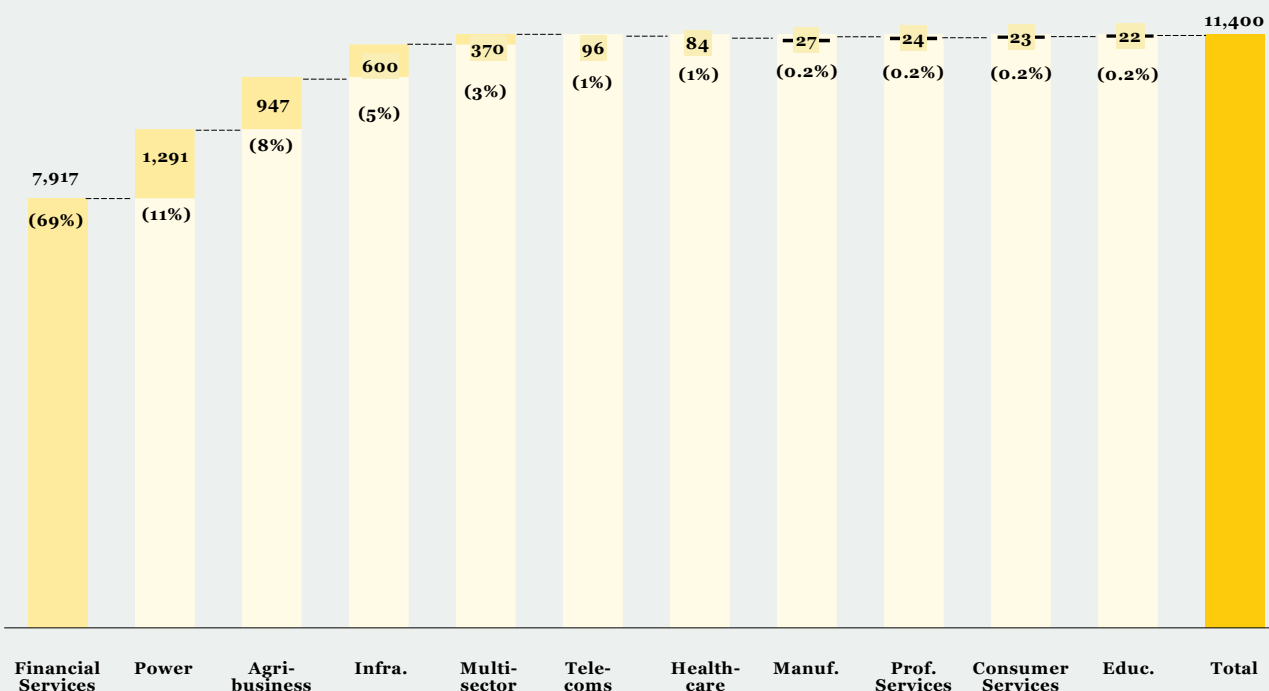
Source: Dalberg analysis, 2X investment portfolio data. Note: This data covers 218 deals which were qualified by 2X Members between June 2018 and December 2020. It includes investments from thirteen Members of the 2X Challenge, including 31 co-investments. This reporting round includes one more Member than the last learning report. [1] For investments qualifying under multiple criteria, total deal size is divided equally across qualifying criteria (e.g., if the total deal size is USD 100M and qualified under two criteria, then USD 50M would be allocated to each of these criteria). Given this methodology to handle transactions that qualify under multiple criteria, we do not provide estimates of ‘average deal size’ for each criteria. Counting was conducted based on sector, criteria, and regional classifications provided by Members; we did not revise or re-classify reported classifications.

The Financial Services sector constitutes ~70% of 2X investment value



Total investment by sector¹

Jun 2018- Dec 2020 investment, USD Millions



Observations

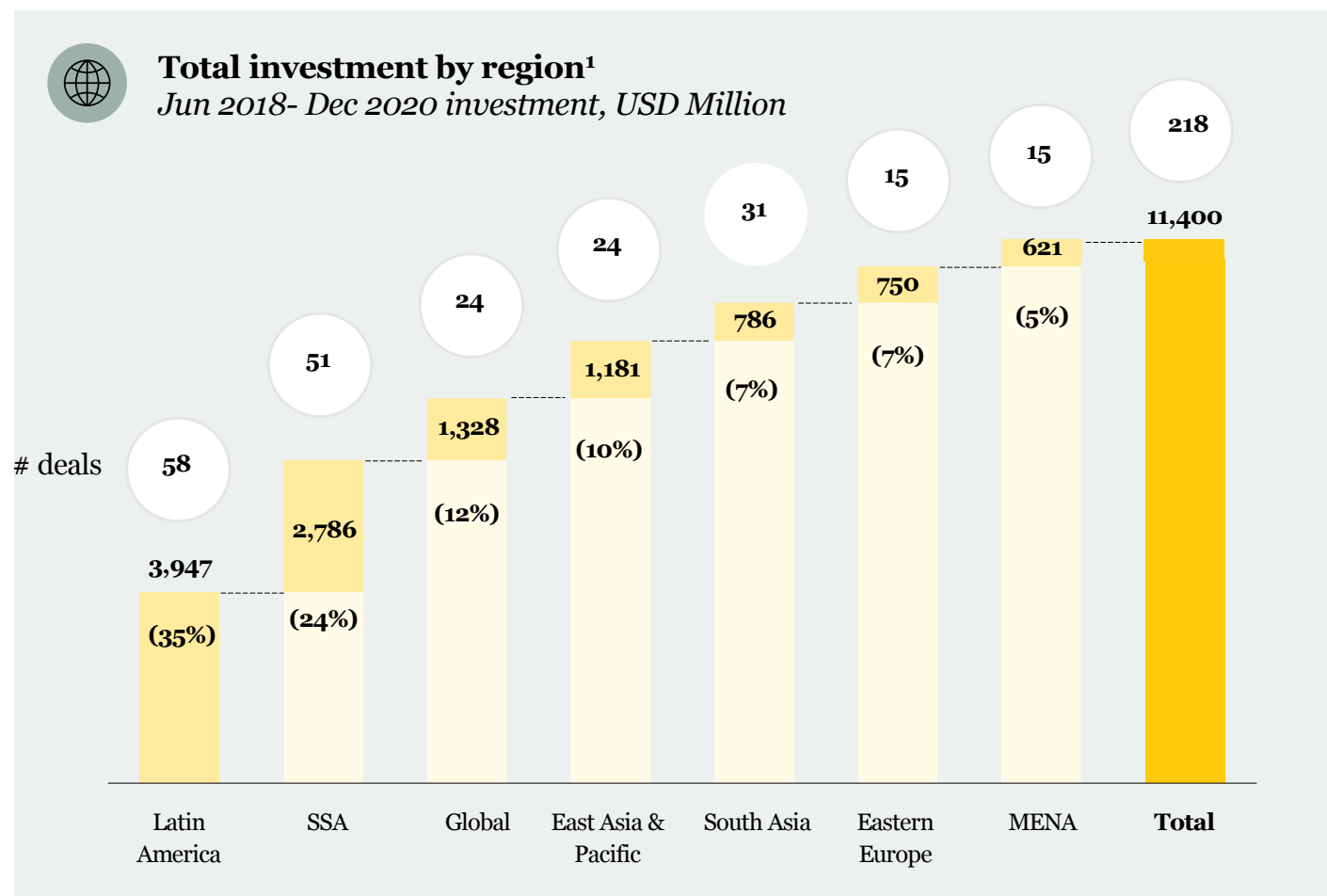
- Average 2X deal sizes are the largest in Multi-sector² (USD 185M), Agri-business (USD 79M), and Power (USD 72M)
- Power (18 deals) has the highest volume of deals after Financial Services (159 deals)
- ~11% of investment value from sectors other than the Financial Services sector was directed to sector-specific Collective Investment Vehicles (e.g., investment fund specialized in energy), indicating that the actual value of Financial Services investments is higher

Financial Sector Investments

- It is worth noting that the Financial Services category includes banks; private equity, venture capital and debt funds; MFIs, NBFIs, and fintechs.
- Investments from 2X members include equity, debt and guarantees.
- The spectrum of deal size varies accordingly: from deals of under USD 1M to deals of up to USD 400M

Source: 2X investment portfolio data. Note: Source: Dalberg analysis, 2X investment portfolio data. This data covers 218 deals which were qualified by 2X Members between June 2018 and December 2020. It includes investments from thirteen Members of the 2X Challenge, including 31 co-investments. This reporting round includes one more Member than the last learning report. [1] Sectors refer to the 2X Challenge recognized sectors. Investments falling under multiple sectors are accounted for in the "multi-sector" category. Counting was conducted based on the sector classifications provided by Members; we did not revise or re-classify reported classifications. Funds that fully focused on one sector were meant to be classified under that sector; however, there were some inconsistencies in the way Members classified their deals. These differences were not re-classified. [2] Multi-sector only includes two deals, both of which are Funds

2X deals span every global region; ~35% of total investment value is in Latin America & Caribbean, 24% in Sub-Saharan Africa



Observations

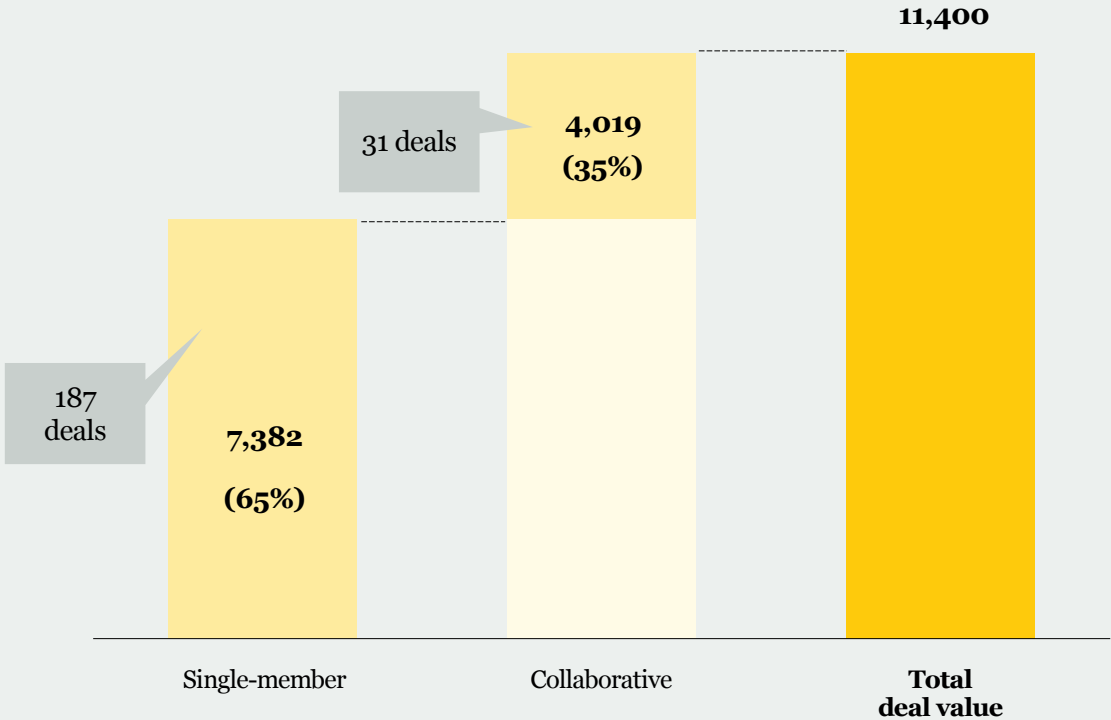
- 2X single-country investments currently cover 55 countries, a 34% increase since 2019
- Over the course of 2020, investments in Latin America and Sub-Saharan Africa have approximately quadrupled
- Latin America's investment value is ~80% comprised of deals of one member DFI;² and deals in Latin America are, on average, much larger than those in other regions
- India constitutes over 85% of South Asia's total, and has the highest volume of 2X deals (23 deals) for any single country globally³, followed by Mexico with 11 deals

Source: 2X investment portfolio data. Note: This data covers 218 deals which were qualified by 2X Members between June 2018 and December 2020. It includes investments from thirteen Members of the 2X Challenge, including 31 co-investments. This reporting round includes one more Member than the last learning report. Counting was conducted based on sector, criteria, and regional classifications provided by Members; we did not revise or re-classify reported classifications. [1] Global represents 2X deals that were multi-regional. Abbreviations: Sub-Saharan Africa (SSA); Middle East and North America (MENA); Eastern Europe (Eastern Europe & Central Asia). [2] This reflects a particular regional focus of this DFI's gender work. [3] Although India has the largest number of deals, the average deal size is smaller than the overall average deal size (USD 30M average deal size in India vs. USD 50M average deal size overall). This explains why India has the largest number of deals, but despite this South Asia only accounts for a small percentage of total investment

Collaborative deals make up 35% of total investment, although only ~14% of deals



Value of collaborative and single-Member investments¹
Jun 2018-Dec 2020 investments, USD Million



Observations

- There are 31 2X co-investment deals, worth an average of USD 131M, versus ~USD 39M for an average single-Member deal
- Over the past year, collaborative deal investment value has more than quadrupled, with the largest deals (>USD 200M) coming from the Financial Services, Power, Telecoms and Infrastructure sectors
- ~30% of collaborative deal investment value was directed into Funds²
- Sub-Saharan Africa represents the highest proportion of collaborative deal value (40%), followed by Latin America (28%)

Source: Dalberg analysis, 2X investment portfolio data. Note: This data covers 218 deals which were qualified by 2X Members between June 2018 and December 2020. It includes investments from thirteen Members of the 2X Challenge, including 31 co-investments. This reporting round includes one more Member than the last learning report. [1] Collaborative deals / investments refer to co-investments between two or more 2X Members. [2] Includes Funds classified under Financial Services (1) and Multi-sector (1)

Key insights and forward-looking considerations on the 2X Capital Pool



Reflections on the capital pool to date

- The 2X Capital Pool partially reflects the reality of DFI investments
 - Despite the assumption often made that gender-lens investing (GLI) 'equates to' investing in women as business owners, the value of 2X deals under the entrepreneurship criterion is the smallest of all 2X criteria, in part because of the challenge for direct investments to meet DFI ticket size requirements
 - ~70% of the 2X capital has been injected in the Financial Services sector, and 11% in the Power sector (including in funds specialized in power and energy). Other sectors have attracted altogether less than 20% of 2X investments
- The Capital pool also highlights that GLI is possible in many different forms in different sectors
 - GLI can drive women's economic empowerment through a number of different dimensions (per the 2X criteria), across multiple geographies and beyond sectors typically associated as 'female'
 - The rapid growth of the 2X capital pool despite the COVID-19 crisis (+150% in one year) highlights that there are sufficient deals with identifiable gender angles, in spite of the common assumption that a lack of eligible deals is a key barrier for GLI



Forward-looking considerations

- As efforts to-date have highlighted the ability to identify sufficient GLI volumes, Members can potentially focus their efforts on identifying high-quality deals that truly 'value' vs. 'count' women and on encouraging investees to go further on their gender efforts
- The persistent high proportion of Financial Services deals qualified based on direct and/or indirect criteria highlight the importance of tracking what support is being provided to these financial intermediaries, whether they are meeting their commitments, the extent to which they meaningfully reach women entrepreneurs, and also measuring the impact of their borrowers or investees on the lives of women and girls
- Members may wish to consider how to further support women-owned SMEs, in spite of DFI ticket size requirements; this could be through SME fund investments, support to accelerators and business development services, as well as through participation in business competitions
- The growing number of large collaborative investment deals (total collaborative deal size of USD 4B) presents an opportunity for Members to think about how to structure their collaboration in each deal to use their collective influence and support to push investees on gender impact beyond the 2X qualification
- There are important opportunities for 2X Members to increase private sector mobilization across sectors, geographies and asset classes through the collective weight and influence of the 2X 'brand'

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Simplicity of the criteria is a major selling point that has resulted in their wide adoption



For 2X Members:

- Simplicity of the criteria has been a major asset for gender teams to engage with their top management and drive top-down buy-in
- Investment Officers (IOs) are also able to take ownership of the criteria and to engage in gender discussions with investees
- Although Members are aware of the limitations of certain criteria, overall, they prefer to minimize the changes made to the criteria in the next phase of the Challenge

For external stakeholders:

- Simplicity of the criteria has been a major reason for its adoption by external stakeholders, who use the criteria as a starting point for their gender strategies
- Simplicity has also enabled the 2X Challenge to become mainstreamed and has attracted new potential Members (e.g., MDBs, private-sector institutional investors)

For investees:

- Investees have praised the criteria for its clarity and for giving them a simple structure to understand, measure, and communicate on their gender practices
- The simplicity of the criteria has also increased the willingness of investees to report on gender indicators
- Some Financial Institutions that are 2X eligible are also using the criteria to start the gender conversation with their investees and / or to start the conversation with 2X DFIs. The latter has been particularly prevalent among Funds

Criteria are so concrete, they are great for investment teams to ask questions and start the discussion” – 2X Member

We are really worried about developing new criteria. The more complicated they get, the more issues with IOs and companies, and the more difficult to communicate externally” – 2X Member

Simplicity and the holistic approach have been really appealing, especially as we communicate to external audiences” – External stakeholder

2X criteria are easy, that's their best asset for mainstreaming” – External stakeholder

The 2X criteria itself has given me a structure to work towards with my portfolio companies” – 2X investee

The 2X criteria, materials, and information are very useful. They have had very powerful implications in the way that we do our work and how we think about gender in our business” – 2X investee

However, the 2X criteria are often scrutinized for not driving enough impact



Challenge #1: The criteria focus on counting women rather than valuing them

- There are few quality indicators that value women.
- Given that they were designed to be simple, the 2X criteria should not be considered a standard for measuring impact. These metrics are a starting point for screening and taking stock of progress.

Challenge #2: Lack of intentionality

- Although the criteria thresholds aim to be both achievable and ambitious across sectors and geographies, the high volume of 2X deal flow may indicate that thresholds are sometimes too easy to reach.
- The spirit of the 2X Challenge is to only qualify companies that have strong intentionality and commitment to gender equality and women's empowerment. However, this is not directly reflected in the criteria but in their interpretation (see 2X Reference Guide).

Challenge #3: Lack of intersectionality

- The criteria are narrowly focused on gender when an increasing number of Members are taking an intersectional approach and thinking through how these criteria are applicable more broadly.

Challenge #4: Lack of consideration of gender risks

- Concerns have emerged regarding whether 2X could push investees to increase gender risks in an attempt to meet a criterion (e.g., promote / hire more women in leadership positions without implementing gendered policies that create a safe and inclusive environment for all)
- Members and external stakeholders agree that deals should not be qualified without an extensive ESG analysis, including an explicit GBVH analysis. This is reflected in the 2X Reference Guide.

“

The 2X Challenge is great because it is simple, but it is very much a starting point to have an intentional and transformative gender conversation” – External stakeholder

“

We have noticed that a lot of banks in Asia have large share of women consumers. Does it mean that they lend with a gender lens?” – 2X Member

“

Gender is only one of the dimensions we are looking at. We use both the 2X criteria and other standards” – External stakeholder

“

You cannot achieve positive social impact if you don't consider the risks in your activities” – 2X investee



Swedfund has developed a Gender Lens Process that applies to all investments, both within their Impact and E&S Processes and Action Plans. Beyond ensuring that investees meet the 2X criteria (or have the potential to do so), Swedfund verifies that investees comply with the commitments and relevant standards outlined in Swedfund's Ethical Compass, including ILO's Declaration on Fundamental Principles and Rights at Work, ILO's Basic Terms and Conditions of Employment, IFC Performance Standards (primarily PS2), and the UN Guiding Principles on Business and Human Rights. Currently, efforts are focused on piloting a more comprehensive approach to address gender-based violence and harassment



IFU developed guidelines for investment companies to further integrate ESG considerations around gender equality and right to health (including sexual and reproductive health and rights) in the workplace. This was followed by GLI training for investment officers in 2021



FinDev Canada has integrated optional indicators in its impact reporting template that would help “value” women in leadership (e.g., number of women promoted, employee turnover)

In the second phase of the Challenge, members must balance some trade-offs as they use the criteria

Recommendations from Dalberg as an independent adviser

Formalism

e.g., comprehensive guide for each criteria



Self-regulation

e.g., self-assessment of eligibility

Broadening the criteria

e.g., expand to racial diversity



Maintaining their core substance

e.g., do not become a box-ticking exercise

Simplicity

e.g., keep a simple counting method for FI deals



Impact

e.g., qualify only FI deals that meet direct and indirect criteria

Screening Assessment

e.g., utilize criteria to assess gender lens/potential of investee



Impact Assessment

e.g., utilize criteria to assess and measure impact



Forward-looking considerations

Update reference guide with clear guidance on when each criterion is applicable, (e.g., how to apply 4 for infrastructure), but leave room for interpretation depending on the context as well as a standard process for asking the group for clarity

Use the criteria as a source of inspiration to explore other dimensions of diversity

Maintain the overall simplicity of the criteria, but add some additional quality indicators and introduce a stricter counting methodology

Utilize the criteria to conduct screening and due diligence of investments, but utilize additional metrics and qualitative analysis to measure impact of investments

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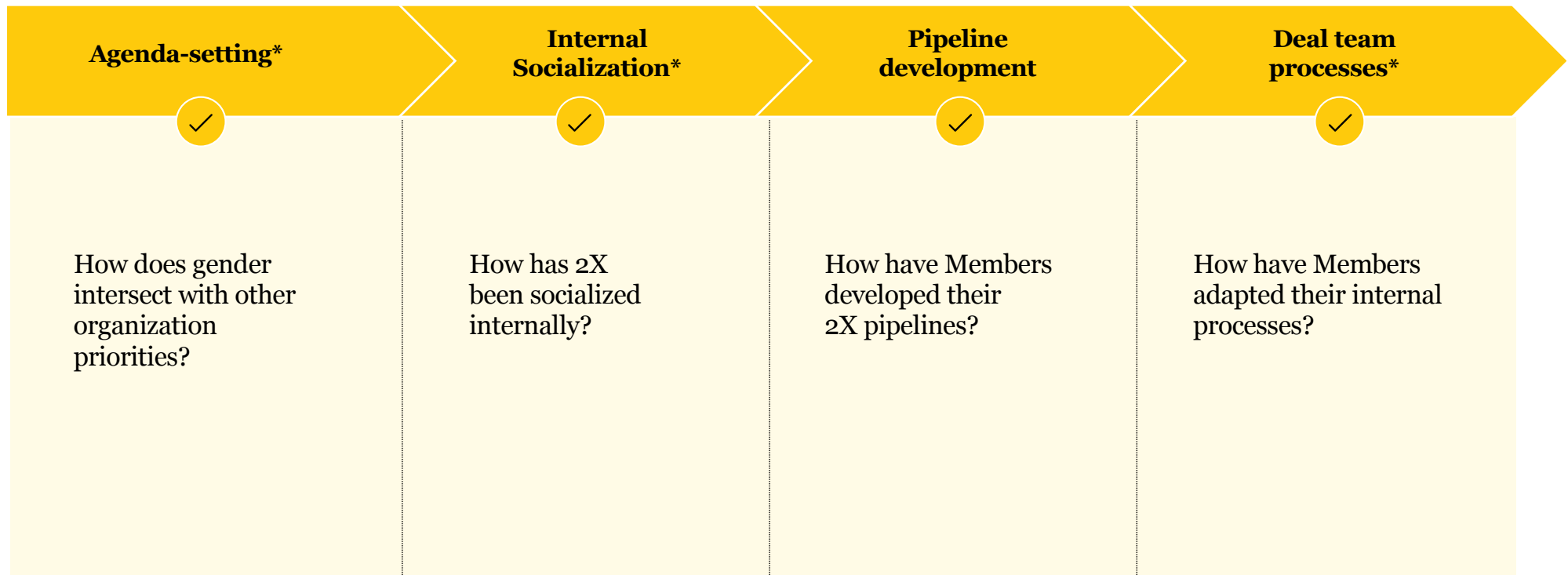
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The 2X Challenge has influenced key internal processes among member DFIs



Gender is becoming a priority for most 2X Members; several have adopted gender-targets



Integrating gender into strategic priorities

- Almost all Members report gender as a high strategic priority for their organization, spurred in part by the 2X Challenge. Gender is now integrated within core internal processes
- For Members that did not already have clear gender priorities within their organization prior to joining the Challenge, 2X has helped prompt discussions about either integrating gender as a strategic pillar or developing a standalone gender strategy
- For Members that already had gender initiatives prior to the 2X Challenge, the Challenge has incentivized greater resources dedicated to gender and a more holistic understanding of what could be considered a gender lens investment

Setting gender targets

- Several Members report having 2X deal targets either for specific sectors or for the Member's entire portfolio
- Targets have successfully raised attention and focus on gender from Investment Officers
- Members are continuing to think through how to balance Investment Officers pushing for 'easier, but impactful opportunities' such as encouraging an existing investee to make a quick-win commitment vs. 'more challenging, but transformative opportunities' such as finding new deals with a gender component or encouraging investees to strive for multiple criteria



Several Members, such as **CDC, FinDev Canada, and Proparco** have internal 2X targets between 20% and 60% of their total deal portfolios or annual commitments. Some Members have translated their objective into sector specific objectives, and / or have tied the achievement of targets to IOs' (or all employees') remuneration and bonuses

Gender increasingly intersects with other growing priorities



- The intersection between gender and climate is a top priority for many Members; several have begun evaluating deals using both a climate and a gender lens
- Beyond gender, Members have started thinking about other forms of diversity (e.g., race, ethnicity, LGBTQIA+...) and have started to collectively reflect on it through the 2X working group on Justice, Equity, Diversity, and Inclusion (JEDI)
- Some Members have indicated that they were not yet ready to intersect multiple impact priorities, as IOs sometimes felt a “competition” between different forms of impact (e.g., competition between investing in a deal that counts towards gender or climate targets)



CDC underwent an internal reorganization of its impact teams and dismantled its Value Creation team to create distinct Gender and Diversity Finance and Climate Finance teams. These teams are supported by Steering Committees headed by senior management sponsors and operational working groups for each CDC investment area. In addition, CDC is evaluating deals for every industry on a dual climate exposure and 2X lens and is co-financing with EBRD and EIB sector tools and guides on how to apply a gender and climate lens across sectors

FMO addresses the inclusion of excluded groups by evaluating deals against their “reducing inequalities label”. This label has a wider scope beyond gender equality and women’s inclusion and includes additional underserved groups such as youth and refugees. Elements of the 2X criteria are included within the label



- The 2X criteria should be used as a starting point to think about other forms of diversity; Members should build upon these criteria to address other dimensions of diversity
- Members should explore several ethical and tactical questions before expanding criteria to other forms of diversity (e.g., What does “diversity” mean in different contexts? How do you measure it? Is it relevant to set diversity targets? Etc.)
- There is an opportunity for the 2X industry body to build capacity and showcase opportunities at the nexus of gender and other impact themes (i.e., how gender is also an enabler for other SDGs)

During the first phase of the Challenge, the credibility of 2X has built initial buy-in



2X 'brand' and shared framework

- Most Members agreed that using the same shared framework among all DFIs was critical to obtaining internal buy-in
- 2X's transparency, clarity, and evidence-driven grounding has helped to create a strong credible brand

Top-down buy-in

- The success of 2X and increased peer to peer engagement has strengthened top-down buy-in among Members over the past year. This has occurred even among Members who previously had limited gender commitments
- Appointing specific individuals with gender mandates has also highlighted the importance of 2X and improved gender commitments
- Despite widespread top-down buy-in, some Members still face challenges obtaining buy-in from their middle management

Bottom-up buy-in

- For a small number of Members, bottom-up buy-in has been effective in promoting gender
- For some Members, piloting specific GLI-initiatives has helped to build an evidence-base to substantiate why adopting a gender lens is 'business-smart'
- Members have recognized that it is critical to have both anchoring at the top and bottom-up buy-in to fully integrate and prioritize gender



CDC's Managing Director for Financial Services is now its high-level gender finance/ 2X champion and has helped the organization move from gender mainstreaming to intentional GLI and set up a new governance structure

In DEG, gender has partially been a bottom-up movement. For example, a staff member in the FI division volunteered to be the gender focal point, engaged with the Gender team and led peer-to-peer conversations to socialize 2X and discuss how to take a gender lens to due diligence. Her conversations with colleagues in other areas have encouraged people to take on similar gender focal point roles



It's important for our loan officers to not feel like they're going to the same clients with different standards"



Having someone that has the ear of leadership and the CEO was very important in terms of top-down messaging"



Our bottom-up culture enables internal buy-in as people are equipped with the tools and feel empowered to use them, compared to if they were just told to use them by management"



We are not creating these structures, people voluntarily want to"

Trainings and toolkits have been a common response by various Members for socializing 2X / GLI more broadly



Trainings are common across many Members

- Over the past year, trainings have been affected as a result of COVID-19. Some Members have delayed trainings, while others have begun implementing them remotely
- Greatest demand for trainings comes from investment teams; these trainings are focused on providing practical guidance for specific sectors or team needs (e.g., engaging with clients, asking the right questions)
- Some Members are providing more general trainings for broader audiences; these have been valuable in building buy-in from departments that can play enabling roles in supporting 2X (e.g., Legal teams and their roles in drafting side-letters for 2X deals)
- Some Members have also begun incorporating broader ESG and risk considerations into their 2X gender trainings
- Training “modalities” (i.e., how trainings are delivered) are typically a function of the internal resources / bandwidth of gender teams, and take into account the burden of delivering them as standalone sessions vs. integrating them into existing meetings

Members are increasingly developing toolkits as well; they have typically been specific to client types (e.g., FIs) or sectors and provide details such as the business case, gender country contexts, and client talking points

Communication efforts have also been used as ‘softer’ forms of influence and have helped incentivize deal teams

- Deal announcement emails
- Inclusion of 2X progress in newsletters
- 2X ‘championing’ at all-staff events



- Strengthening internal socialization further will likely be a mix of ‘soft’ and ‘hard’ tactics
- Continued communication efforts that elevate the visibility of 2X will be important to generate recognition-based incentives and build internal cultures that celebrate gender
- Identifying specific pain points, and having gender teams / ‘2X personnel’ track and share emerging lessons on how teams have addressed these will also be important in supporting deal teams to fully adopt and internalize GLI
- ‘Hard’ tactics such as the development of additional toolkits should seek to fill information gaps (e.g., demand for more client specific toolkits, insights on types of financial instruments, approaches to use with clients)
- Among newer Members, there is appetite for more general resources (e.g., guidance for investment teams when first engaging with clients on gender and online resources to help potential clients who are interested in learning more about becoming 2X eligible)

Specific trainings and toolkit examples reveal different Member approaches to providing both specific as well as more general guidance



Trainings



- Regular information sessions and trainings (once per quarter on average) on 2X and GLI¹
- Technical trainings on the 2X Criteria for impact and investments staff, with some trainings open to all teams, including Legal and Communications. Additional technical sessions on the 2X criteria are targeted at impact and investment staff



- Quasi-‘Training of Trainers’ type model whereby a ‘network of champions’ in different region / sector deal teams raise awareness of the 2X criteria and support the sourcing of potential 2X opportunities
- Following this initial outreach, more targeted presentations and sessions are offered



- Training for all staff on the new investment strategy, more focused on impact
- Training on raising questions on gender equality and right to health during due diligence



- Presentations to investment teams in existing weekly departmental meetings to present criteria and discuss potential transactions that could qualify for 2X



- Currently developing a training for field officers to help them understand and identify opportunities to reduce gender inequalities; the training gives investment officers an opportunity to incorporate their insights in the investment process



- Gender training for investment officers and 2X training in onboarding of all new staff members



- Training for all investment officers on gender lens and on the most effective ways to have conversations with investees; planning to conduct more trainings

Toolkits and internal resources



- A Fund Manager’s Guide to Gender Smart Investing providing fund managers with a roadmap on gender diversity at the firm level, and incorporating a gender lens at the portfolio level²



- Gender Toolkit with sector pages, which helps support investors and Funds to identify sector - specific gender opportunities³



- Country Profiles on internal intranet on key gender issues in their countries of operation

Members are increasingly trying to screen opportunities with a gender-lens, but have not and will not change their screening criteria to find more 2X deals



- Members are increasingly applying a gender lens to all deals in their pipelines vs. building a gender-specific pipeline
- Most Members are simply adding an additional layer of 2X screening to their existing investment processes, rather than changing their investment guidelines and criteria (i.e., Members are still looking for the same risk and return expectations, ticket sizes, etc.)
- Several Members have begun pushing investees who are close to 2X qualification to take gender commitments in order to build their 2X pipeline, but this is not a widespread practice yet



We became aware that some deals could qualify for 2X only because we asked the question”



We are not specifically building a gender pipeline. Rather, we are looking for gender qualities in each of our investments”



We have not changed our sourcing that much. We have the conversation with the client, but it hasn't really changed the business development side”



CDC takes a gender investing approach early in the investment process. CDC set targets to increase the number of 2X transactions across its business lines and is developing specific gender finance products (e.g., directed lending credit lines, gender funds) to increase gender investments

Members have made important progress towards institutionalizing gender in their investment processes



- Members have used stepwise approaches to integrate 2X at different stages of deal team processes; Some Members assess gender at screening while others do so at later stages (e.g., due diligence, specific sessions for discussing gender, etc.)
- All Members now require investment officers to fill out gender-related documents, such as risk assessments, investment committee memos, and monitoring templates
- Members have begun formalizing gender teams. In the absence of gender teams, Members have appointed gender leads
- Some Members have developed specific systems and tools such as gender scorecards, excel due diligence tools, and data systems that help investment officers monitor 2X projects real-time
- Select Members have also started formally institutionalizing 2X documents and systems into their internal procedures



- As Members continue integrating 2X along the investment cycle, integrating gender with ESG is critical to ensure that gender-related risks are properly addressed
- Members should strive to have both processes and data systems in place that support gender and facilitate gender assessments



Processes

DFC uses a process-flow diagram to incorporate 2X into inhouse systems and investment committee discussions. DFC also developed resources (e.g., talking points and letter template), which have helped operationalize gender

Systems

DEG developed an Excel-based 2X due diligence tool for investment officers. The tool allows them to assess whether their investees qualify for 2X and monitor how their investees are doing against the 2X criteria

EIB developed a 'gender tag' informed by the 2X criteria and aligned with OECD DAC markers, which will push teams to carry out an initial assessment of all projects' potential contributions to gender equality

DFC built data systems that allow IOs to flag 2X projects in real time and report which criteria they meet

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7 Cross-cutting recommendations

2X has overall been a strong platform to promote a fruitful collaboration between Members



- Most Members have pointed out that the 2X Group has a very collaborative working environment (e.g., easy to reach out to each other to discuss any 2X-related questions)
- Members believe that this fluidity is due to interpersonal relationships that were built during several in-person meetings before COVID-19, but which have been strongly maintained during the pandemic
- Members who have recently joined the Challenge (or new joiners in existing Members' teams) appreciate the fact that they were able to create strong relationships with other 2X participants, even in a fully virtual world

“

The collaborative spirit within the group and the ease to reach out to each other is remarkable”

“

I have been working in the impact space for the last 20 years. I have never seen such a truly collaborative environment”

“

We know each other. We are free to reach out to each other informally, and this is critical to getting things done”

“

Investors beyond the DFI community want to work with us. They have observed our culture and love it and want to work with us”

Members are moving at different paces, which may lead to risks but can also be a source of opportunities



DFIs within the 2X group differ in the size of their gender resources and the prominence of gender in their organizational agendas.

As a result, the 2X group is schematically divided into three sub-groups that move at different paces:

- **‘Impact innovators’**: DFIs that want to push the frontier of gender lens and innovate to generate more impact
- **‘Guideline followers’**: Large DFIs / MDBs who are focused on clear guidelines and quantitative metrics that they can easily track
- **‘Newcomers’**: DFIs that are at the early stages of their gender journey



Risks: If not well managed, the “three-speed” group could become dysfunctional, with:

- “Newcomers” finding it difficult to keep up with the path of engagement and thus de-prioritizing their gender efforts
- “Impact innovators” finding the group not intentional enough and thus no longer engaging extensively with 2X

Opportunities: The 2X Challenge could become the common denominator that holds all Members together. Members could progressively choose to ‘opt-in’ via the 2X industry body for more activities and conversations

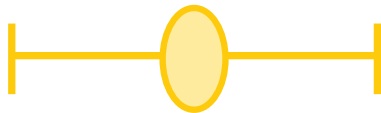
Going forward, the 2X Group should balance several trade-offs

Keeping a unified group externally



Endorsing the image of a “three-track” group

Keeping focus on Members’ needs



Growing as a thought leader



Forward-looking Considerations

- Utilize the 2X Challenge as a common denominator that links all Members and creates opportunities for engagement with one another alongside a unified external presence
- Encourage Members to “opt in” for additional activities and working groups that allow for additional collaboration via the industry body
- Support “Newcomers” in strengthening their internal processes on gender, for instance in the context of collaborative deals
- Continue to play a more prominent role in the public arena (e.g., collect and share more impact data, share thoughts on expanding criteria to other forms of diversity, etc.)

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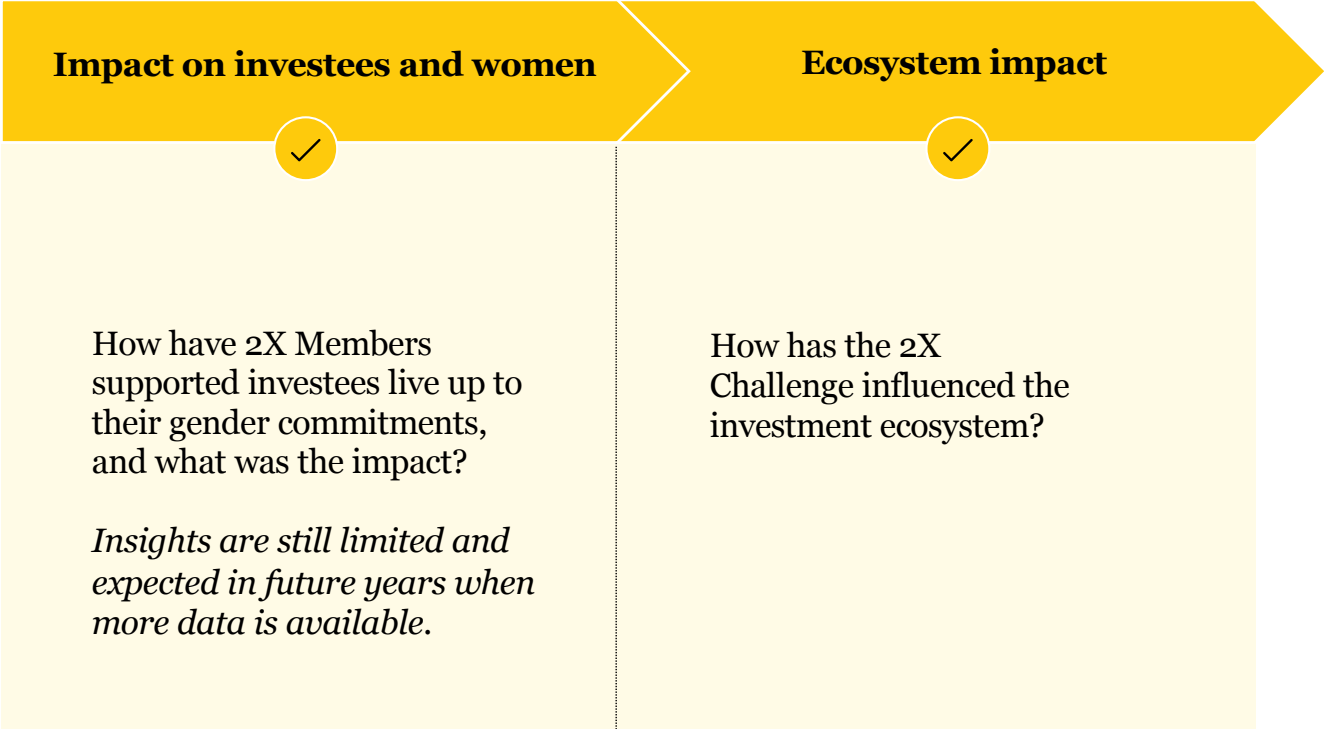
4 Learnings on the collaboration within the 2X group

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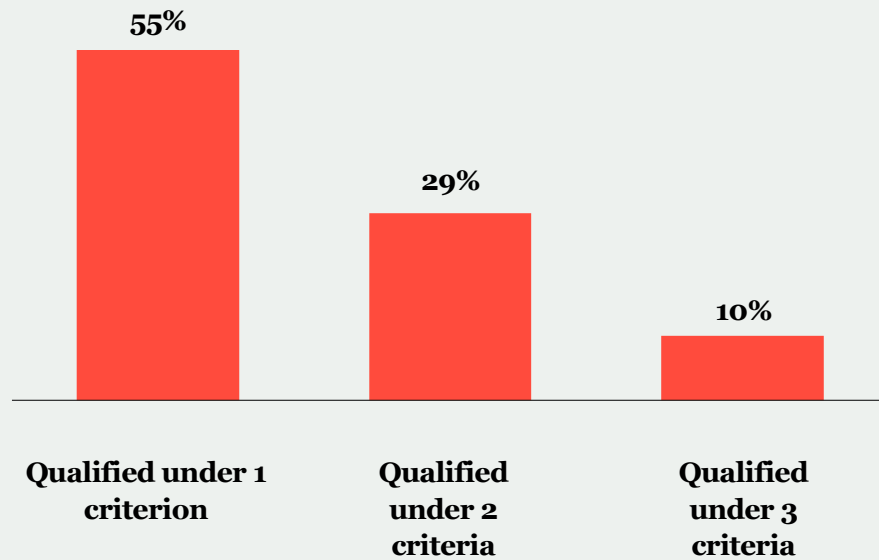
We focus on the 2X Challenge's external impact at two levels



The majority of 2X investees today meet a minimum bar for 2X eligibility, however there is an opportunity to be more gender aware

Share of 2X investees that qualify under 1, 2 or 3 criteria (or commitments to meet the criteria)

n= 226; 2018 - 2020



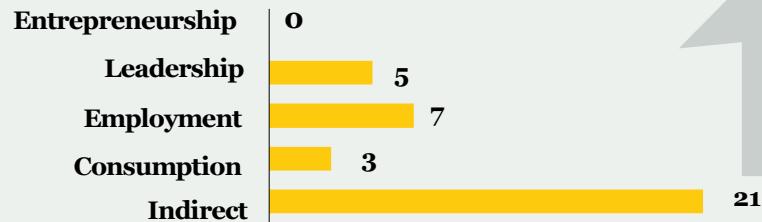
- More than half of 2X deals qualify under one criterion only
- This suggests that there are opportunities for investees to do better on multiple gender dimensions (or commit to do better), rather than on one criterion only

“It’s sometimes too easy to qualify deals under the leadership criteria. In four-member teams, it is enough if one of the members happens to be a woman”

“We qualify deals under specific criteria, but we are not often thinking about the theory of change for each deal. In what ways are we changing lives?”

Commitments are one way to increase gender efforts; while the anecdotal evidence is promising, there is insufficient data to date to fully assess results (1/2)

Number of commitments made by criteria¹
2018 - 2020



Data reported by Members suggests that ~23 deals were qualified based on commitments; the majority of them had a commitment on a single criterion



Going forward, 2X Members should:

- **Systematically monitor progress towards the achievement** of commitments, either through annual reporting or through 1:1 engagement with investees
- **Set clear rules and processes** to “disqualify” investees that have not met their commitment within the expected timeframe



- At least two deals that already met one criteria made an explicit commitment to meet another criteria
- Below are some examples of commitments that qualified other deals:
 - Leadership: “Committed to adding an additional woman to the Board of Directors, bringing the % of women board members to 33%”
 - Employment: “Aiming to employ at least 30% women”
 - Consumption: “Agreed to the 2x criteria of at least 50% of the loans to women; commitment is incorporated in the side letter”
 - Indirect criteria: “30% on-lending to 2X challenge compliant businesses; commitment incorporated in the side letter”
- However, Members have not yet reported progress on deals qualified based on commitments (some Members are to monitor progress in 2021)



The EIB’s 2X-eligible operations are primarily through FIs which qualify under a commitment to meet a minimum threshold of funds dedicated to 2X-eligible activities. These commitments are formally integrated into side letters, and the EIB requests FIs to report data on how they allocate their funding to 2X-eligible SMEs using an allocation tool (i.e., reporting form that FIs need to systematically fill). As the EIB recently joined the 2X Challenge, the first monitoring results will be available next year

Commitments are one way to increase gender efforts; while the anecdotal evidence is promising, there is insufficient data to date to fully assess results (2/2)



- EcoEnterprises Partners III ('EcoEnterprises') is a Fund that supplies debt and quasi-equity to drive growth in nature-based sectors such as regenerative agriculture, agro-forestry and sustainable aquaculture. FinDev Canada qualified EcoEnterprises based on commitments on the leadership and the indirect criteria. Bio was also an investor into the Fund.
- EcoEnterprises has always been a gender champion. For twenty years, the Fund has been one of the only women-led Funds in Latin America, and their investments always targeted WEE
- However, the "gender DNA" was not formalized. The 2X qualification encouraged EcoEnterprises III to formalize and better communicate their gender strategy and impact. It also nudged overall strengthening of their efforts. In addition, they received a TA budget, including a portion dedicated to further strengthen the gender component of three of their investments
- The Fund now has a section on gender in its annual report and held an impact committee meeting (i.e., a governance meeting focused on examining the impact of portfolio and future investments) on gender
- EcoEnterprises was also able to raise the gender topic with its other investors, which was valuable to further mainstream GLI



- Softlogic is a leading life insurance company in Sri Lanka. The company was close to qualify for 2X under several criteria, and FinnFund qualified them under a commitment to meet the leadership and/or the employment criteria
- FinnFund asked Softlogic to develop a plan to reach at least one of these criteria, and provided ongoing support through regular virtual meetings
- Softlogic developed a plan that was launched in March 2021 as the "4HeR platform". The 4Her platform comprises of concerted initiatives designed to address four primary spheres of development: work-life balance, education, leadership, and entrepreneurship¹
- One flagship initiative is the granting of 100 days of maternity leave plus the option to work remotely for three months (compared with legal 84 days)
- Softlogic's management was willing to launch such an initiative, but would have lacked the required trigger without its 2X qualification

“

We always had a gender lens, but the 2X Challenge really helped us formalize it and communicate on it”

Our senior management is quite open to gender initiatives, but the real trigger to launch our gender program was the 2X discussion”

Several Members are already using 2X as an entry point to support their investees to improve their gender practices (1/2)



Type of engagement #1: “Soft support”

- Several Members, including those who have limited resources for TA and specific gender support, actively engage with investees to help them make progress on their gender commitments. This type of support does not require additional funding from DFIs, but can be time-intensive for gender teams
- Members typically engage with investees at the due diligence stage and test their interest to work on gender topics. They show them the value in doing so, direct them to the right tools and resources, and have frequent discussions with them

Type of engagement #2: Menu of support interventions

- Most Members do not have a specific gender TA facility, but several are able to deploy additional capital (e.g., TA, grant funding) to support investees in designing and implementing Gender Action Plans (GAP) that will enable them to become 2X eligible, and / or improve their gender-related practices
- Members deploy support under various forms, including TA, training, sub-contracting (e.g., work with organizations to identify female talents to be recruited by investees)

Type of engagement #3: “Carrots for impact”

- Some Members have started to implement TA programs that award financial rewards to investees who achieve predefined gender-related targets (e.g., reduction of loan repayment, grant funding)

“Continuum” of engagement, depending on:

- Member’s budget dedicated to gender
- Size of gender teams
- Mandate to innovate for gender impact

Several Members are already using 2X as an entry point to support their investees to improve their gender practices (2/2)

“Soft support”

FinnFund is actively bringing a gender lens in early conversations with potential investees across sectors and geographies. Through these conversations, Finnfund has identified companies that are willing to improve their gender impact even if they do not obviously qualify for 2X (e.g., in the tech industry)

IFU tries to identify gender opportunities at the investment proposal stage and actively engages with the HR and ESG teams of the investee to identify opportunities for improvements and test their willingness to commit on this topic. Once IFU has engaged with investees through either equity or debt financing and has identified a need for further intervention and a strong willingness from the investees, IFU can sometimes use funding from its TA budget to further support investees

Menu of support interventions

CDC and **IFC** developed a “Fund Manager guide to gender-smart investing”¹. CDC offers a gender-smart investing masterclass for Fund managers, which has helped to train numerous Funds to become 2X champions. Due to its high demand, the masterclass will now also be offered online

Swedfund provides training to senior management and female talent of investees through their Women4Growth program. The program aims to strengthen women in their professional activity and thereby support its investees to improve their gender equality performance. Most notably, the program supports investees to increase women’s (1) representation in decision-making and (2) advancement in the workplace. The aim is to develop the program to also support women’s participation in the development of products to better address women’s needs and challenges in society

FinDev Canada developed a menu of interventions across the 2X criteria, as part of their TA facility. The gender action menu aims to support investees in improving their gender practices and becoming 2X eligible

Carrots for impact

IFC³ captures all gender investment commitments in legal documentation and must include a specific intervention and target. IFC uses tools, such as blended finance, in investment structures to provide incentives if gender targets are reached. IFC provides gender advisory before or in parallel to the investment

DEG is currently leading a pilot project with an existing equity investee to test the potential of innovative finance to promote gender-transformative change. Specifically, DEG has designed an impact-linked finance mechanism that provides financial rewards if gender transformation KPIs are achieved. If this pilot is successful, DEG may add this type of product to its spectrum of gender-lens offerings

Proparco’s MENA Facility offers technical assistance funds to strengthen Financial Institutions’ capacities to support underdeveloped segments, including women entrepreneurs. The Facility offers impact-based incentives and rewards local private Financial Institutions targeting underserved segments who reach pre-defined impact targets

EIB structured the first impact finance loan for Serbian SMEs. Through a EUR 4M grant, EIB supported UniCredit Bank Srbija A.D. (UCBS) to conduct a social analysis of the borrowing landscape and to identify inclusion targets that SMEs should meet. These targets aim to foster women’s employment and entrepreneurship, improve youth employment and professional development, and achieve the social inclusion of underserved or vulnerable groups (e.g., minorities, people with disabilities, refugees). The grant will reward companies that meet predefined targets

Best practices for engagement with investees are starting to emerge



Best practice #1: It is more impactful to push the gender agenda with senior management teams than with gender teams

- Gender, ESG, or impact teams within investee organizations are usually already convinced of the benefits of diversity
- 2X Members can have more impact if they engage with investees' senior management teams and show them that potential investors are taking gender seriously

Best practice #2: Building a strong client relationship is critical to move the gender needle within organizations and get them to commit to a 2X "journey"

- Investees need to feel that 2X is more than a "box-ticking exercise", and rather that they are making changes that are valuable for them and for society
- This requires a strong and continuous engagement from deal teams and / or gender teams within 2X Members

Best practice #3: Members should explore all gender dimensions of their investees from day 1

- Proactively engaging with investees from the due-diligence stage and asking questions related to all the 2X criteria helps identify investees that (1) are performing strongly in unexpected areas, and / or (2) are eager to make progress on their gender practices

Best practice #4: Investees are more likely to improve their gender practices when they are held accountable

- Investees are more committed to reaching their gender targets if they are formally included in a binding document (e.g., contract, side-letter, ESG plan)
- Holding investees accountable is also key to ensure a smooth data monitoring process

“

Talking to our gender person is preaching to the choir. What was truly helpful was that some DFIs pushed the gender conversation with our senior management” - 2X Investee

“

The most important thing is to build the relationship with the client to keep the momentum going” - 2X Member

“

The earlier the better. It's much easier to start early on and have broad gender conversations with the company. Sometimes, we have very good surprises” -2X Member

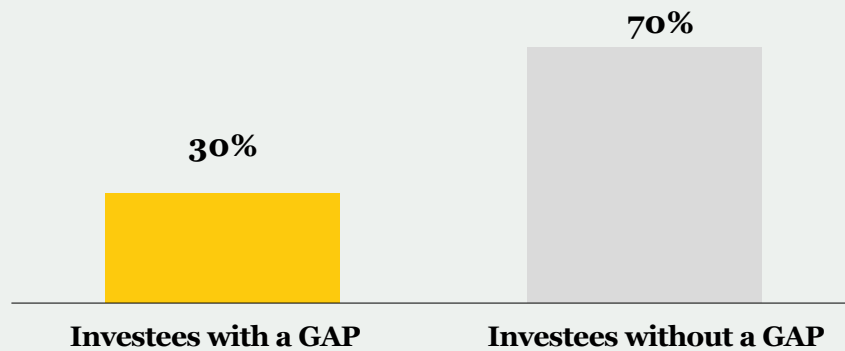
“

We encourage investees to make commitments and hold them accountable for that. Achievement of targets can be linked with financial rewards” - 2X Member

However, Members may only be providing support to a limited number of investees

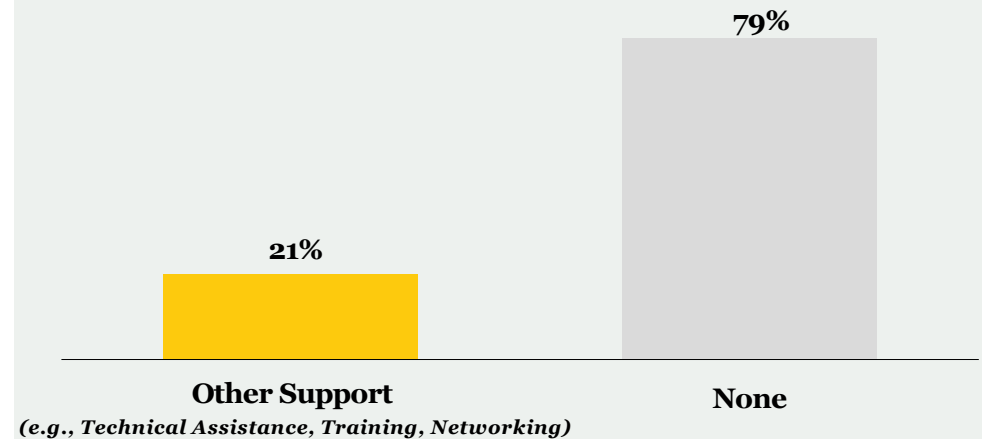
Share of 2X transactions with a gender-action plan

n= 122; 2018 - 2020



Share of 2X transactions that have received gender-lens support

n=122, 2018 - 2020



Engaging with clients on gender is an institutional challenge for us”

Some investees just happen to meet 2X criteria, and do not want to go further”

We have limited bandwidth to engage with clients on gender topics”

Our deal teams do not always feel legitimate to talk about gender because they do not have sufficient training”

Investees themselves believe the impact of the 2X Challenge is promising, but mixed



Some 2X investees declare that they have benefitted from their 2X qualification through one or several of the following ways:

- Received support in structuring their communication strategy around gender
- Convinced their senior management of the importance of intentionally considering gender
- Facilitated access to TA funding
- For FIs and funds: 2X has helped frame gender conversations with their investees/clients, ultimately supporting them in making progress on their gender practices



However, it is still unclear if and how the 2X qualification:

- Has given (or will give) the financial or technical means to undertake gender activities that they wanted to undertake, or implement new gender activities
- Has supported (or will support) investees in their future fundraising efforts

Some of the DFIs have engaged with our senior management on gender topics, we really appreciated it”

“

The 2X criteria gave me a structure to work with my portfolio companies. For companies that did not qualify, we try to think about how can we make a plan or work with them to make them 2X eligible”

We did not add anything new to our gender approach”

I’m not sure whether or not our 2X Challenge will facilitate our future fundraising efforts. All investors have different priorities, impact lenses, and impact methodologies”

Key insights and forward-looking considerations on the impact of the 2X Challenge



- Some 2X Members have successfully developed innovative strategies to engage with investees and help them improve their gender practices. This engagement with investees can be very useful to ensure that 2X funding is intentionally targeted toward WEE
- So far, it is difficult to assess the actual on-the-ground impact of the Challenge as Members have collected limited data on the impact of their investments, specifically investments through FIs
- Some Members have started to track some additional data to “value” women beyond counting them (e.g., pay gap, women retention), but these practices are not widespread yet



During the next phase, 2X Members could do more to ensure intentionality and impact, including:

Focus on impact measurement and achievement:

- **Improve monitoring across 2X indicators:** Members should standardize data collection across their 2X portfolios both at time of investment and as part of their regular monitoring. They could also start monitoring more qualitative data both on impact and on the type of support (e.g., Training, Technical assistance) provided
- **Conduct on-the-ground impact studies:** Members should seek to understand the on-the-ground impact of their investments (particularly to understand the impact of their investments through FIs), guided by several key impact questions that the group aligns on (e.g., Are businesses owned by women more gender sensitive? How have women grown in the investee organization (e.g., promotion, retention)? How have the lives of women employees improved as a result of gender-sensitive policies? What is the feedback from female consumers?, etc.)
- **Define reach or outcomes targets for 2X Challenge:** In addition to the mobilization targets, 2X Members could define reach targets (e.g., support X female entrepreneurs, attain X women in leadership positions, etc.), or outcome targets (e.g., support to X organizations to improve their gender practices)

Support investees to go further in their gender journey:

- **Qualify more deals based on commitments:** Members should only use 2X as a starting point to talk about gender. Members could qualify more deals based on commitments with clear gender targets, milestones, and rigorous assessments. Members should support investees to reach their targets and set clear mechanisms to “disqualify” investees that do not meet their targets or fall below the criteria thresholds
- **Create an optional “2X Transformative” tag,** focused on intentionality and depth of impact and in which deals would be qualified through a more rigorous qualitative assessment. Under this tag, Members would work closely with investees to improve their gender practices across the 2X Challenge dimensions
- **Create communities of investees:** Create a virtual platform to connect 2X investees (primarily by country, region or sector), and organize knowledge-sharing activities to help investees learn from each others’ best practices

The 2X Criteria have become increasingly popular among multiple investors

- The 2X Challenge has been very visible in the GLI space and in the broader investment community since its creation
- The 2X Challenge has created a standard for how investors think about GLI. The harmonization with existing frameworks and standards like the GIIN's IRIS+, HIPSO, UN Women's WEPs and OECD DAC's gender equality policy marker, have allowed the 2X criteria and underlying metrics to quickly become a global industry standard for GLI.
- 2X has become highly visible in the community, which has contributed to making it a standard and has attracted both other investors who are now interested in joining the 2X Challenge (e.g., MDBs, institutional investors) and those seeking funding (e.g., Investment Funds who are seeking funding from 2X DFIs, and who are looking at their portfolio with a 2X lens before reaching out to 2X investors)

“

We are increasingly seeing pitch decks of investment Funds arriving on our desk showing how they qualify for 2X” -2X Member

“

An interesting indicator of the uptake of 2X is to see how many companies come to us and ask about the 2X Challenge” -2X Member

“

*The 2X Challenge was a great tool for knowledge and awareness building across investor communities”
–External Stakeholder*

“

Multiple Funds willing to fundraise from DFIs are now widely adopting the 2X Criteria” –External Stakeholder

“

An increasing number of investors want to join the 2X group” -2X Member

The 2X Challenge has also paved the way for an intentional investment approach across multiple societal topics



- In 2018, the Refugee Investment Network (RIN) released their refugee lens investment criteria, which was modeled after the 2X criteria. RIN has six criteria which echo the 2X criteria in terms of path to influence (i.e., refugee-led, refugee-owned, refugee-serving, refugee-staffed, etc.); however, the major difference is that RIN's criteria also focuses on host communities given the particular importance of host communities in refugee investing
- RIN used the 2X criteria as a baseline from where to start and adapted it to the refugee-specific context; they appreciated the balance between simplicity and comprehensiveness of the 2X criteria (all types of investments can fall into these categories)
- In its engagement with investors, RIN has also been exploring ways to deepen the impact of the criteria, thinking through whether to add additional indicators or guidance (e.g., how to ensure a quality job) and ways to think about measuring impacts and benefits (e.g., refugee employees anecdotally have higher retention rates, but more data is needed on this)



- In March 2020, Engineers Without Borders Canada (EWB Canada) announced the launch of Hummingbird Impact, a Venture Capital Fund investing in tech-enabled social ventures in Sub-Saharan Africa
- The Fund wants to invest both with a gender-lens, and with a focus on supporting local-owned and led businesses employing local talent. EWB Canada believes that investing with a racial diversity lens, beyond being the right thing to do ethically, helps identify businesses with a competitive advantage (e.g., better understanding of local markets, increased resilience)
- The Fund has adopted a revised version of the 2X Criteria
- For gender, EWB Canada adapted the thresholds, but all investees will be evaluated against all 2X criteria (some criteria being mandatory and some “nice to have”). They also plan to look at indicators that value women beyond counting them (e.g., pay grid, promotion practices)
- For racial diversity, EWB Canada adapted the ownership, leadership, and employment criteria and thresholds, and plan on requesting that all investees meet these criteria
- Hummingbird Impact's launch was delayed because of COVID-19, but should be relaunched soon



The fact that gender lens is widely accepted in the investment community has helped with the refugee lens. Refugee lens can initially seem abstract, but when we explain that it uses a similar framework to gender lens - it resonates more with investors”

We started looking at the gender dimension, but then we realized that there were the same types of challenges for enterprises owned and led by locals”

Key insights and forward-looking considerations on the influence of the 2X Challenge



- The 2X Challenge has been extremely successful at mainstreaming the GLI language among multiple communities of investors
- However, external stakeholders sometimes complain about a lack of transparency of the Challenge (i.e., limited information on 2X investees) and a lack of focus on impact
- In addition, external stakeholders have pointed out that the function of 2X has been lost in translation as the Challenge has gained popularity. Stakeholders are particularly concerned about the 2X criteria being interpreted as an impact measurement mechanism, rather than being used simply as a starting point for looking at gender



- 2X Members should be more explicit in their external communications of the destination of 2X funding, beyond geography and sector only (e.g., examples of investees and how they used the funding)
- In addition, Members should clarify what the 2X criteria should and should not be used for, and be transparent about the future changes made to the criteria (i.e., why the changes were required and what are the exact proposed updates)
- Members could demonstrate the potential impact of investments through case studies and an increased focus on data collection
- Members could conduct deliberate stakeholder engagement sessions (e.g., a roadshow with the external version of this learning report) with impact experts, industry networks, etc. to share insights and best practices from the 2X Challenge, answer questions, and gather lessons learnt from other investors in similar sectors and geographies. This will enhance transparency and collaboration with those outside the 2X Working Group
- Without this focus on impact and increased transparency, the 2X Challenge is at risk of being exposed to criticisms

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7 Cross-cutting recommendations

While 2X deal flow remained strong in 2020, Members exhibited mixed abilities in taking a gender lens to COVID-19 response activities

Impact of COVID-19 on pipeline development

- During the last learning report from March 2020 when the pandemic was just beginning, most Members believed that a focus on gender would be “set aside” due to COVID-19, and that the pace of 2X qualifications would be affected
- However, 2X Members have continued to qualify 2X deals despite the slowdown in overall deal rhythm that has resulted from the pandemic. Over the last year, the 2X capital pool has grown by more than 180%, with investments from 2X Members more than trebling¹. There has particularly been growth in the FI sector, following recommendations from the 2X/GFC last year to inject more capital into the market via intermediaries²
- Multiple Members indicated that their sourcing strategy remained the same and that they continued to look for 2X opportunities while screening deals
- In general, COVID-19 did not affect Members’ gender pipeline

Gender-lens in rapid response to COVID-19

- In April 2020, the 2X Challenge and the GFC called DFIs and other investors to ensure that gender dynamics were considered in COVID-19 responses, specifically in the rapid response phase²
- However, the degree of inclusion of a gender lens within Members’ responses was mixed:
 - Some Members took a strong gender lens in all parts of their responses (e.g., TA to existing and new investees, new investments with a strong gender focus)
 - Others adopted a narrower gender lens. They prioritized injecting capital in the market, with commitments from FIs to direct some of this funding to 2X eligible activities
 - Several Members have deprioritized gender considerations to provide emergency support to their existing investments
- Most Members are now willing to reintegrate a gender-lens in their support for an inclusive crisis recovery

“We never stopped prioritizing gender. We did not see it as a tradeoff between gender and responding to COVID-19”

“COVID-19 did not affect our gender targets. However, to be fair, it is more difficult to have the gender discussion without being around the same physical table”

“At the beginning we were just trying to keep the boat afloat, with no focus on women. Now we are thinking more about inclusive recovery”

“All of our TA budget had to be dedicated to straightforward COVID-19 response such as keeping our investment afloat or distributing PPE. We did not have a chance to include a gender-lens in it”

There are a few examples of how members effectively included gender in their COVID response



- DFC took a gender-lens in its response to COVID-19 by injecting liquidity into the market through: (1) institutions serving women, (2) institutions that were looking at ways to support women, and (3) female funds
- In collaboration with SEAF, DFC created the SEAF Global Gender Lens Emergency Loan Finance facility to provide emergency funding for SMEs that support women
- The SEAF facility also provides business support to SMEs to diminish the impact of COVID-19 on their organizations



- CDC integrated gender into all three pillars of their COVID-19 response strategy (“Preserve, Strengthen, Rebuild”):
- Preserve – Developed evidence-based guidance to help investees respond to the crisis using a gender lens
 - Strengthen – Designed a technical assistance facility for investees and required them to include gender considerations in their applications. CDC has assisted investees in drafting gender implications
 - Rebuild – Adapted the provision of gender advisory services. Changes have included using digital tools to evaluate gender, working with local partners, and performing gender due diligence virtually



- FMO supported the Women's Enterprise Recovery Fund to provide funding, TA, and mentorship for private sector innovation directed at women (e.g., digital solutions to support economically impacted businesses, solutions to address financial and other business needs)
- FMO's ultimate goal in supporting the Fund is to identify opportunities that have a positive impact in women-led enterprises and to identify best practices that they can share with their clients and partners to foster a thriving ecosystem and effective solutions



- Swedfund responded to COVID-19 by adjusting their way of providing support and using creative approaches to engage with investees (e.g., using local consultants). Most notably, Swedfund turned parts of its Women4Growth program into digital format¹
- Following this experience, Swedfund has begun thinking about having digital versions of a larger share of TA programs to ensure added-value creation is not put on hold. Swedfund provides 2X onboarding for all new staff, regular gender training for investment officers and is currently working on establishing an internal network of Gender Champions to facilitate communication and awareness raising

- Multiple members have also invested in new deals focused on COVID-19 response and that have adopted a gender lens
- CDC, JICA, and DFC invested in BlueOrchard's Covid-19 Emerging and Frontier Markets MSME Support Fund, which provides support capital to Financial Institutions to finance MSMEs. The fund has adopted a gender-lens impact framework and will target 70% women end-borrowers

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» 7 **Cross-cutting recommendations**

Summary of key recommendations for the next phase of the Challenge

High-level recommendations for the next phase of the Challenge



Clarify usage of 2X criteria and counting rules *(see part 2)*

- The 2X criteria are a screening tool for gender investments and should not be used as an impact measurement tool. These criteria are a starting point for the gender discussion and other efforts will be required to truly assess the impact of investments
- Members should ensure alignment on when each criterion is applicable (e.g., criteria 4 for consumers, criteria 5 for businesses) and agree upon new counting rules to make the use of the criteria more stringent, while keeping their level of simplicity
- It would be beneficial to implement or re-norm a systematic process for Members who are still learning or facing challenges in applying these criteria to ask questions - with a bigger 2x Member group, there are decreasing opportunities to ask open questions during monthly meetings



Members should leverage one another to continue integrating gender throughout their existing internal processes; at the same time, Members could also identify opportunities to adjust processes and guidelines and to take an intersectional lens to their investments to enhance impact *(see part 3)*

- Utilizing 2X as a means to integrate a gender lens in different stages of deal-team processes is an emerging best practice that should continue. Members should not 'reinvent the wheel' when further integrating gender into their processes; while each Member has a different organizational structure and systems, many of them could leverage the trainings and tools from their peers that are highlighted in this report and discussed in the monthly Working Group meetings
- Many Members are not changing their processes or guidelines (e.g., on ticket size, first time Fund managers) but are rather just applying a gender lens to existing guidelines. To enhance impact, there is an opportunity to change these guidelines and take a more gender-intentional approach to pursuing deals
- At the same time, Members can think through how guidelines can be adapted to account for intersectional forms of diversity and impact (e.g., gender and climate) and how to create tools to assess these intersections simultaneously (e.g., sectoral guidelines)

Key Near-term Actions

- Design sector-specific guidelines to further define deal eligibility under criteria 4 (e.g., infrastructure sector)
- Update the 2X Challenge Reference Guide with refinements to the criteria and counting rules and circulate both internally and externally (with explanations on lessons learnt from Phase 1 of the Challenge that led to the changes)

- Adapt processes and guidelines to take a more impact-intensive approach to the upcoming 2X Pioneer Funds Facility¹ (e.g., supporting first time Fund managers with innovative GLI strategies, evergreen structures)
- Draft an external publication to share preliminary insights from the JEDI working group on how 2X criteria can be the basis for discussing other forms of diversity with investees

Summary of key recommendations for the next phase of the Challenge

High-level recommendations for the next phase of the Challenge



Move cohesively with a three-speed group *(see part 4)*

- As new Members will join the Challenge, it will be critical to maintain the unique group dynamics; the group can anchor on the 2X Criteria, while individual Members can become more or less engaged in other Working Groups and Task Forces. Ensuring there are opportunities for ongoing collaboration is key
- While the 2X Group should continue appearing as a cohesive group externally, it will be important to continue encouraging 'Newcomers' to gradually improve their gender practices, while supporting 'Impact Innovators' to continue pushing the boundaries of GLI



Prioritize impact and push for continued improvement *(see part 5)*

- Members should focus on measuring gender data more consistently. They should define new indicators, and reach / outcome targets, and align on frequency of data collection and reporting mechanisms
- Moreover, Members could support investees beyond qualification (e.g., through trainings, TA) to reach their gender commitments and to continue making progress on their gender initiatives
- During the pipeline development stage, Members should increasingly prioritize qualifying investees that are committed to improving their gender efforts, rather than simply qualifying investees that are doing well now

Key proposed immediate implementing actions

- Create an optional "2X Transformative" tag, focused on intentionality and depth of impact and in which deals would be qualified through a more rigorous qualitative assessment
- Elevate best practices of "Impact Innovators" that can be easy for others to adopt (e.g., tactics to engage with investees and hold them accountable, inclusion of a gender-lens in crisis response mechanisms)

- Agree upon standards for data collection (e.g., all 2X indicators should be collected at time of investments and if possible, as part of the regular monitoring)
- Define a learning agenda with learning questions to be answered with impact studies
- Create a virtual platform to connect 2X investees (by country, region or sector), and organize knowledge-sharing activities to help investees learn from each others' best practices

The logo features a stylized '2X' on the left, composed of horizontal stripes in shades of blue, green, and red. To the right of this icon, the word 'CHALLENGE' is written in a large, white, sans-serif font. Below 'CHALLENGE', the words 'FINANCING FOR WOMEN' are written in a smaller, white, sans-serif font.

2X CHALLENGE
FINANCING FOR WOMEN