Financing gender empowering green growth in Indonesia

Case Studies on Innovative Financing Mechanisms

A report by Impact Investment Exchange (IIX)

About Impact Investment Exchange (IIX)

Impact Investment Exchange (IIX) is a pioneer in impact investing and a global leader in sustainability. IIX has transformed the financial system so that women, the environment and underserved communities are finally given a value and a voice in the global market. Over the past decade, IIX has built the world's largest crowdfunding platform for impact investing (Impact Partners), created innovative financial products such as the Women's Livelihood Bond Series, digitized its impact assessment to effectively measure and value the impact of enterprises on people and the planet through IIX Values, operated award-winning enterprise technical assistance programs such as IIX ACTS, and established an Impact Institute for training and education. To date, IIX's work has spanned 53 countries, unlocked close to US$215 million of private-sector capital and had direct positive impacts on livelihoods, affecting more than 100 million households. IIX has received numerous awards for its work, including the Oslo Business for Peace Award, the "Nobel Prize for Business." See iixglobal.com.

About CIFOR

CIFOR is a not-for-profit, scientific institution that conducts research on the most pressing challenges of forest and landscape management around the world. Using a global, multidisciplinary approach, CIFOR aims to improve human well-being, protect the environment, and increase equity. To do so, it conducts innovative research, develops partners' capacity, and actively engages in dialogue with all stakeholders to inform policies and practices that affect forests and people. CIFOR is a CGIAR Research Center, and leads the CGIAR Research Program on Forests, Trees and Agroforestry (FTA).

About Tropenbos International (TBI)

Tropenbos International (TBI) is a not-for-profit foundation that envisions a future in which forests and trees are used sustainably for the benefit of local people and the global community. By making knowledge work for forests and people, Tropenbos International contributes to inclusive and evidence-based decision making for the improved management and governance of tropical forests. TBI's longstanding local presence and ability to bring together local, national and international partners makes it a trusted partner in sustainable development. Since 2017, Tropenbos International (TBI) has been a managing partner of the CGIAR Research programme on Forests, Trees and Agroforestry (FTA).

About CGIAR

CGIAR is a global research partnership for a food secure future dedicated to reducing poverty, enhancing food and nutrition security, and improving natural resources.

The opinions and views expressed in this publication are the responsibility of IIX and do not necessarily reflect the opinions and views of the CIFOR, Tropenbos International or CGIAR.

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Overview

Closing the gender gap could add US$28 trillion in global GDP over 10 years and support climate resilience. Innovative financing is needed to provide a gender dividend.

Now more than ever, sustainable and innovative finance is imperative for unlocking private capital at the pace and scale required to solve the world's most pressing environmental, development and inequality challenges — and Indonesia is primed for the opportunity. The country has been embracing innovative finance to address the high rates of poverty, the fastest growing income inequality in Southeast Asia, and the devastating social, environmental and economic costs of poor natural resource management and large-scale deforestation (BAPPENAS 2020; OECD n.d.; Thuard et al. 2019) .

Government projects, such as the US$1.2-billion Green Sukuk Bond, the Sustainable Development Goals (SDGs) Financing Hub, and UNDP's Indonesia Innovative Financing Lab, have launched since 2018. However, these initiatives (described in Section I) tend to finance large-scale infrastructure projects or traditional development efforts, without considering whether they are helping Indonesia's poorest communities – especially underserved women and communities in rural areas. Examples of successful, inclusive financing solutions that work for women and climate action remain few and far between (Louman et al. 2020).

To help bridge this gap, this report looks at innovative financing solutions that can upscale investment in enterprises that drive progress in gender equality and climate resilience. It highlights two case studies that demonstrate three key criteria:

- **private-sector engagement** — a critical component to tapping into US$70 trillion (BCG 2018) in global private capital;
- **a gender lens approach** — to strengthen climate resilience through the inclusion of women; and
- **additionality** — bringing in new capital that would not otherwise be invested.

In Section II, the first case study elaborates on Impact Partners, the region's largest crowdfunding platform for impact investing, and its support for Krakakoa. The platform connects a network of impact investors to enterprises in key sectors such as clean energy, agriculture, the circular economy,[1] and access to water. The second case study involves the **Women's Livelihood Bond Series (WLB Series)** and its support for KOMIDA. Asia-Pacific and Indonesia's first multi-country, multi-sector debt security, the WLB Series mobilizes large-scale private investment for women-focused enterprises, reporting social and financial returns to investors. Section III discusses the use of IIX Values. This innovative data-driven assessment methodology has a gender lens and can bring greater transparency to innovative finance. Section IV provides recommendations on key lessons and strategies for unlocking gender lens capital to support gender-empowered, green growth in Indonesia and beyond.

Throughout the report, the terms **"gender-empowered approach to green growth"** and "gender lens" refer to a strategic attention to and support of climate financing initiatives that

1 A circular economy is a system with the goal of eliminating waste and the continual use of resources.

have a positive impact on women. A gender-empowered approach to green growth is needed to achieve inclusive and sustainable development. In developing countries, where poverty alleviation is a critical part of national development and women's empowerment, it is critical that climate financing be discussed in the context of both gender empowerment and economic development. Green growth is a useful concept because it refers to the potential for countries to foster economic gains and development while ensuring that natural assets are managed in a sustainable manner, in order to create and support new economic opportunities (OECD 2011). Climate finance, the dominant tool that the international community uses to address the global climate crisis, can support green growth by driving capital toward solutions and activities that advance the multiple goals of social, environmental and economic returns.

Key Messages

Existing innovative finance solutions in Indonesia remain tied to traditional development approaches. Shifting donors and governments to an approach that unlocks private-sector investment that otherwise would not have occurred (additionality) is critical to realizing the gender (and green) dividend.

Investors tend to support larger ticket sizes, leaving a widening gap for small- to mid-sized organizations that focus on women. Impact Partners and the Women's Livelihood Bond Series leverage various strategies to help crowd in commercial investments for enterprises that would not otherwise be able to obtain capital.

Investors still largely see gender lens investments as too risky. Effective de-risking strategies will help investors balance three key factors: risk, return and impact. Due diligence tools, impact measurement, and pre- and post-investment support to enterprises and investors are critical.

Future research must effectively address knowledge gaps in capital markets. There is an opportunity for research-for-development programs such as FTA to partner with impact and gender lens investors to bridge development and finance. Such partnerships can develop innovative research opportunities that leverage impact measurement and management practices. This can shift the discussion from a cataloguing of risks and barriers within a landscape to the development of feasibility studies for gender and climate-focused financial instruments and designing solutions to overcome barriers.

Technology-powered and data-driven impact measurement can help to scale more innovative and gender responsive financial instruments. Limited data on risks, returns and impact hinders investment decisions. Tools such as IIX Values focus on beneficiaries and customers, support the impact measurement process and hold investors accountable for social and environmental impacts.

Interview Highlights*

Ishk Tolaram Foundation: Investing in women's livelihoods

"We invested in IIX's Women's Livelihood Bond because we are interested in moving into the impact and sustainable investing space more intentionally. IIX's credibility, and the social impact premise of the bond, gave us assurance and comfort for coming into sustainable investing."

Sumitra Aswani
Executive Director
Ishk Tolaram Foundation

Krakakoa: Empowering Smallholder Farmers

"Our mission is to empower smallholder farmers. We didn't set out with the intention of targeting women farmers. Over time, this was something that was integrated into our targets as part of a dialogue with impact investors. We brought this lens to our training with farmers on the use of eco-friendly and improved cocoa-farming practices. In Indonesia, both women and men work in the farms, but men will often register for the training that we conduct. So in the following year, when we conducted our training program, we made sure a certain percentage of women farmers are registered and trained."

Sabrina Mustopo
Founder
Krakakoa

SECTION I

Innovative Finance in Indonesia

What is Innovative Finance?

In this report, sustainable or innovative finance refers to mechanisms that harness private-sector capital to address the world's pressing social and environmental problems, expedite the sustainable development agenda, and generate financial returns. Typically, the recipients of innovative financing are enterprises with market-based social or environmental solutions (mission-driven for-profits or revenue-generating non-profits), but innovative finance can also be used to fund traditional non-profits.

These finance mechanisms typically have one or more of the following characteristics:

- **New products:** new financial products designed to finance the United Nations Sustainable Development Goals;
- **New stakeholders:** unlocking new capital or attracting new investors; and
- **New markets:** using existing financial products to meet the needs of an underserved market, or using existing funds for development more effectively.

Innovative finance can typically be categorized into one of five types (Table 1). This report looks at two of these mechanisms: crowdfunding (Case Study 1) and bonds (Case Study 2).

Table 1: Types of innovative financial mechanisms

Types	Description
Bonds	Bonds are debt instruments in which investors loan money to an entity that borrows the funds for a defined period of time at a fixed or variable rate of interest. Bonds are an example of an existing mechanism used to bring n more traditional private investors and to finance enterprises.
Pay for performance mechanisms	Pay-for-performance mechanisms are instruments that link repayment of financial returns to investors (either principal or coupon) to the impact created. These mechanisms are an example of a new product specifically designed to mobilize capital to address social and environmental problems.
De-risking mechanisms	De-risking mechanisms are credit enhancement structures that are integrated into existing instruments in order to mitigate financial risks. These mechanisms effectively bring new stakeholders (such as private investors) in by giving additional protection and comfort to invest.
Impact/gender lens funds	Impact and gender lens funds are a pool of capital collected from multiple investors for the purpose of buying securities that generate both financial and social returns. Impact funds unlock new sources of capital for development and magnify the impact of existing funds by redirecting them to underserved markets.
Crowdfunding	Equity crowdfunding raises capital for SMEs by offering equity to investors. It increases access to finance as it allows enterprises to circumvent the extensive disclosure, registration and reporting required of conventional investments.

Source: IIX 2017b.

Financing Gender-Empowered Green Growth

Sustainable finance is a fast-growing market, but remains limited to green finance. Sustainable investing is largely defined by investments in publicly listed corporations based on environmental, social, and governance (ESG) factors. Total global assets managed under ESG strategies reached US$40.5 trillion in July 2020 (Baker 2020). The next notable driver of sustainable finance is global climate finance, with annual flows reaching US$579 billion over the two-year period of 2017–18, a 25% increase from 2015–16. According to the Climate Policy Initiative (2019), the majority of this funding was used to finance renewable energy generation (US$337 billion), low-carbon transport (US$141 billion), and energy efficiency (US$34 billion). The majority of climate finance goes to developing countries, with Asia Pacific the primary destination region (41% of all flows). Global green bond and green loan issuances reached US$257.7 billion in 2019, marking a new global record, and up 51% from 2018 (Climate Bonds Initiative 2020). Indonesia's green bond deals make up 39% of the total ASEAN green bond issuances.

In comparison, gender empowered climate finance is still emerging, and opportunities to capitalize on the gender dividend are largely unrealized. Information on the market size of such transactions is limited. In a review of 63 historical blended finance deals, Convergence Blended Finance (Convergence 2020) found that only US$6 billion of financing was focused on Sustainable Development Goal (SDG) 5 (Gender Equality) or on one or more of the following SDGs: 7 (Clean Energy), 11 (Sustainable Cities), 12 (Responsible Consumption), 13 (Climate Action), 14 (Life Below Water) or 15 (Life on Land). In Southeast Asia, only US$40 million in gender lens capital had been deployed as of 2017. Indonesia has the most gender lens investors of any country in the region, with US$27.6 million deployed to the country by 2017 (GIIN 2017). Understanding the critical role that women can play as agents of climate action can encourage more gender-responsive climate finance.

A gender-empowered approach to green growth is needed to achieve inclusive and sustainable development. Green growth refers to the potential for countries to foster economic gains and development while ensuring that natural assets are managed in a sustainable manner so as to support and give rise to new economic opportunities (OECD 2011). Climate finance is the dominant tool that the international community uses to address the global climate crisis. It can help to support green growth by driving capital towards solutions and activities that advance the twin goals of social/environmental and economic returns. A gender-empowered approach to green growth therefore means paying strategic attention to and supporting climate financing initiatives that have a positive impact on women.

Framework for Gender-Empowered Green Growth

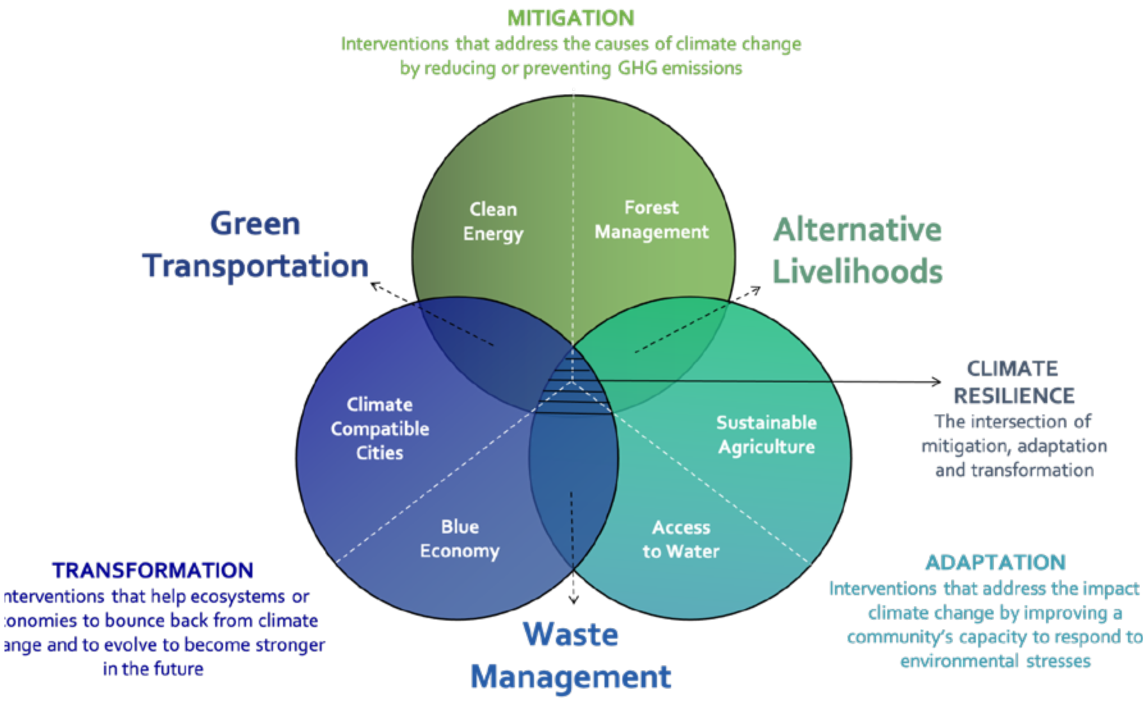
To better understand how financing mechanisms can address the multiple goals of gender equality, climate resilience, and economic benefits to underserved populations, it is useful to explore how Impact Investment Exchange's (IIX's) Impact Partners platform and the Women's Livelihood Bond Series assess climate-related investment opportunities.

Climate resilience is the capacity of a socio-ecological system to: (1) absorb stresses and maintain function in the face of external pressures imposed on it by climate change; and (2) adapt, reorganize and evolve in a way that improves its sustainability, leaving it better prepared for future climate change impacts.

Achieving climate resilience targets **three main outcomes**: mitigation, adaptation and transformation. Impact investing can support enterprises that contribute to **mitigation efforts** in the sectors of **clean energy** and **forest management**; **adaptation efforts** in the sectors of **sustainable agriculture** and **access to water**; and transformation efforts in the sectors of the **blue economy**[2] and climate compatible cities.

IIX has developed a framework for assessing climate resilient investments by identifying the interconnections between sectors and the three main outcomes (Figure 1). There can be overlaps between sectors even if an investment has been assigned to one primary outcome. For instance, in the agricultural sector in Asia, adaptation is critical since a majority of the farmers have low incomes and lack the resources to absorb environmental stresses such as droughts. And since agriculture is also responsible for emissions when forests are cleared for farmland, more sustainable agricultural practices can therefore also support mitigation.

Figure 1: IIX framework for climate resilience



IIX has used this framework to advise corporate stakeholders such as Bank of America Merrill Lynch to develop gender responsive green investment strategies. The framework enables IIX to: (1) identify high-impact sectors and their relevance to climate resilience; (2) align climate priorities with possible investments and sustainable development goals; (3) enable a more nuanced analysis of each sector, including the various gaps in supply and demand of capital and capital's specific impact on women. This is especially important in view of the tendency for green finance to focus on large infrastructure projects, with limited consideration of their impact on community resilience or underserved women. The framework is also useful in identifying the gaps and opportunities in the climate resilience agenda and in adopting a more targeted approach to mobilizing and deploying capital (IIX 2017a).

The potential for empowering women to become solutions to climate resilience: Women in developing countries across the world are disproportionately affected by climate change, for three main reasons:

1. Women are more reliant than men on natural resources that may be adversely impacted by climate change. For instance,

2 This refers to a sustainable development approach to marine resources.

in Asia, rural women are primarily responsible for collecting water for their families. As climate change makes access to water less reliable, they will need to walk farther every day, limiting the time they have to engage in other tasks, including alternative income generation activities (UN WomenWatch 2009).

2. Women disproportionately lack access to credit and to affordable goods and assets, which makes it more difficult for them to recover from natural disasters triggered by climate change (UN WomenWatch 2009).
3. Women also face limited access to information and skills, which limits their self-improvement opportunities and keeps them trapped in the informal economy. This in turn reduces their resilience to economic and environmental downturns.

The case studies examined here leverage IIX's Climate Resilience framework to include a gender lens in sustainable investing. This reveals which sectors have a greater impact on women, with the aim of helping to drive capital toward initiatives that are inclusive and that empower women to become agents of climate action.

Relevance for the CGIAR Research Program on Forests, Trees and Agroforestry (FTA)

Forest management efforts are typically the responsibility of government. Non-profit organizations also dominate the forest management sector, with a primary focus on advocacy directed toward improved forest regulation and sustainable land use. As part of FTA's Flagship 3 (FP3) priority 17 "Innovating finance for sustainable landscapes ", this report contributes to the co-development of knowledge of financing innovations that enhance the inclusiveness of timber, tree crops, agricultural production and value chains. During 2018–19, FTA completed a review of the main financial structures and mechanisms that are used for investments in the forest and agriculture sector in tropical landscapes, their inclusiveness (smallholders, small- and medium-sized enterprises (SMEs), gender, age and ethnic background) and their contribution to sustainability in those landscapes Louman et al. 2020). The review identified a number of barriers to both inclusiveness and sustainability, and also found very few documented cases where such barriers were successfully reduced. In light of this review, FP3 is focusing on increasing the knowledge base of successful strategies by implementing a series of case studies, such as those described here.

The two case studies described here help to connect the FTA program to the larger sustainable investing context by focusing on enterprises with market-based solutions rather than on non-profit or government projects.

There are three types of enterprises that focus on sustainable land use and can grow to become a part of the Impact Partners and Women's Livelihood Bond financing mechanisms:

- **Enterprises that provide alternative livelihoods to indigenous groups:** The objective of these enterprises is to discourage destructive practices such as illegal logging by providing indigenous groups with alternative income-earning opportunities. Ecotourism is growing in Asia and is increasingly important in providing alternative livelihoods to indigenous communities that previously were pushed into forest exploitation as their only alternative. These entities are usually at the seed stage.
- **Enterprises that improve transparency and sustainability in the agricultural value chain:** Agriculture and forest management are intricately linked. Enterprises that support sustainable agricultural practices help improve transparency in the supply chain; in turn, this can reduce encroachment into forestland for agricultural purposes. One of the case studies outlines how Krakakoa, an Indonesia chocolate company, is

achieving this. The vast majority of these companies are at a relatively early stage.

- **Enterprises that practise sustainable sourcing:** Mature companies can also make an indirect but powerful contribution to improving forest management by practising sustainable sourcing. For instance, the Body Shop uses only eco-friendly materials in their beauty products, such as soaps that are made from sustainable palm oil that has not caused forest degradation (Furlong 2016). However, this is a rare example, and commercial enterprises continue to be the main cause of illegal logging in Asia.

State of Innovative Finance in Indonesia

There is growing interest in innovative finance in Indonesia, but existing initiatives have yet to bring additionality to sustainable development. With Indonesia's pre-COVID economic growth leading to a gradual reduction in development assistance, the national government has been actively encouraging the use of blended or innovative finance to unlock capital from the private sector to fund its development objectives. A mandatory Corporate Social Responsibility (CSR) law was enacted in 2007, although such activity remains ad hoc and the law's impact is minimal. Following the lead of China and India, Indonesia's Financial Services Authority announced the launch of a framework and regulation for green bond issuance in 2017. Building green infrastructure is a strategic priority for the country, and green bonds can help finance some of these initiatives. Since 2018, several other government initiatives have been launched, including a US$1.25-billion Green Sukuk Bond program, and Bappenas's SDG financing hub (Thuard et al. 2019). These government-backed mechanisms — and corporate-backed financial instruments such as the International Finance Corporation (IFC)-supported OCBC Sustainability Bond Programs (including separate gender and green bond instruments) — ultimately rely on existing pools of capital, and investments that would have already been made. They do not create ways for new private capital to come in that would not otherwise participate in sustainable development.

An analysis of these financing mechanisms, and the extent to which these initiatives are failing to unlock capital and resources that would not have otherwise come into sustainable development, reveals several key challenges to innovative finance:[3]

- In some cases, multilateral projects are supported by what is called "innovative finance," but is actually a mix of traditional finance and development tools (e.g., using CSR as philanthropy dollars, convening workshops, developing policy agendas and research papers).
- Public-private partnership projects for crowdfunding platforms or financing hubs are being launched, but there is a lack of information about actual deals or the transparency of impacts.
- A host of gender lens funds have been launched, yet these tend to be slow to occur and non-transparent investments in SMEs, with varying degrees of gender inclusion and impacts (investee entities range from co-working spaces to fashion retailers).

Additionality: There is a critical need for innovative finance models that bring new sources of capital that otherwise would not participate in sustainable development. Some examples of additionality are addressed by the case studies:

- **Addressing an investment gap for small- to mid-sized women-focused organizations:** Across developing countries, an estimated 70% of the 7 million women-owned SMEs in the formal

3 Based on IIX's analysis of the financing mechanisms, as well as an assessment of what information is available to the public.

sector are underserved or unserved by financial institutions (World Bank 2017), with the financial gap estimated at US$68 billion in East Asia and the Pacific (Subramaniam 2018). The case studies described here look at the ability for Impact Partners and the Women's Livelihood Bond to support enterprises that deliver development impacts and are underserved by formal capital markets.

- **Leveraging public-sector funding to unlock large-scale private-sector capital for women-focused enterprises:** Donor agencies and foundations can catalyze the de-risking of innovative women-focused financial mechanisms to leverage millions more investment dollars from the private sector and to support SDG 5.

Figure 2 provides an overview of recent sustainable finance initiatives in Indonesia. While these activities demonstrate growing interest by investors, many mechanisms are instruments backed by government or corporate funders that do not bring in investments that would not already have happened. These instruments depend on existing funds from a third party (donor, government or corporation) to pay bondholders, and can be replicated only if this third party agrees to remain part of the equation. In a context of increasingly constrained resources, innovative financial instruments must move beyond this dependency on existing funds (typically corporate or public-sector funding) and tap into mainstream private sector capital in order to scale up.

Figure 2: Recent sustainable finance initiatives in Indonesia

IIX Women's Livelihood Bond Series

Details: The US$12 million Women's Livelihood Bond 2 successfully closed in 2020. To date, the WLB Series is impacting over 500,000 underserved women.
Gender Lens: Indonesia's first gender lens debt security, the WLB unlocks capital for women-focused SMEs.
Climate Lens: Winner of the 2019 Climate Action Award and the Partnering for Green Growth Award
Additionality: The WLB uses a blended finance structure, unlocking 30x the private sector capital for every dollar mobilized.

Indonesia Green Sukuk

Details: In 2018 the Indonesian government issued the first Green Sukuk worth US$1.25 billion.
Gender Lens: None
Climate Lens: 100% of the proceeds is directed to finance or refinance green projects including green buildings, sustainable transport, sustainable agriculture, waste to energy & waste management.
Additionality: The Green Sukuk Bond is a government-backed bond. Pay-for-success mechanisms such as social impact bonds shift 100% of the risk to investors, which provides limited appeal to traditional investors.

OCBC Indonesia Gender Bonds

Details: In 2020, IFC announced investing up to IDR 2.75 trillion[4] in Bank OCBC NISP's Gender Bonds to Empower Women Entrepreneurs and Women-Owned SMEs.
Gender Lens: Proceeds go towards women entrepreneurs and women-owned SMEs
Climate Lens: While OCBC issues Green Bonds, they remain distinct from the Gender Bonds.
Additionality: As corporate-backed bonds (backed by the company's balance sheet), these bonds do not catalyze new private investments that otherwise wouldn't have occurred.

Althelia Climate Fund

Details: Althelia Climate Fund has invested in real assets to drive the conservation of forests.
Gender Lens: None
Climate Lens: The Fund generates financial return on investment through a combination of capital gains, selling commodities, and monetizing carbon credits.
Additionality: The fund has raised a total of $140 million from a wide variety of investors. Part of this was raised with Credit Suisse through short-term fixed-income securities called "Nature Conservation Notes" that were marketed to the bank's high-net-worth individual (HNWI) clients

Tropical Landscape Finance Facility

Details: Indonesia's first private sector landscape financing facility was facilitated by private actors ADM Capital, BNP Paribas, World Agroforestry Centre and UN Environment.
Gender Lens: None
Climate Lens: The Facility brings long-term finance to projects and companies that catalyze sustainable land use.
Additionality: On-lending is financed through a debt securitization program managed by BNP Paribas. The securities are sold to mainstream investors, i.e. family offices and insurance companies. USAID has provided a $33.25 million credit guarantee to the facility.

Crowdfunding Platforms

Details: Indonesia has a range of crowdfunding platforms, including region-based IIX Impact Partners and Crowdo.
Gender Lens: IIX Impact Partners integrates a gender lens into the sourcing, investment readiness and capital-raising process. Over 60% of beneficiaries from Impact Partners are women.
Additionality: Crowdo provides SMEs with working capital loans of up to US$150,000, while IIX Impact Partners focuses on enterprises in the missing middle[5] across sectors such as clean energy, agriculture, circular economy, access to water, and financial inclusion.

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4 IDR 14,499.64 for US$1 (14 july 2021, xe.com/currencyconverter)

5 The term missing middle is defined broadly to refer to small enterprises whose needs are not met by grants, family or friends, or microfinance, but which are not yet ready for commercial investment. The range of financing varies across markets, but they generally need equity or quasi-equity financing, and to wean themselves off grants as they mature.

SECTION II

Case Studies

These case studies deepen the understanding of two catalytic financing solutions and show how these approaches are successfully reducing barriers to SME financing in Indonesia, while also driving gender-empowered green growth.

Impact Partners: Established by the Impact Investment Exchange (IIX) in 2011, Impact Partners is a debt and equity crowdfunding platform for sustainable investing. It connects pre-screened, investment-ready enterprises to a network of impact investors. The first of its kind in Asia and the most successful platform there, Impact Partners addresses multiple challenges on the supply and demand side of sustainable investing. The platform supports enterprises in key sectors such as clean energy, agriculture, education, healthcare and water, and contributes to financial inclusion. This enables IIX to support SDGs 1 (No Poverty), 2 (Zero Hunger), 3 (Good Health and Well-being), 4 (Quality Education), 6 (Clean Water and Sanitation), 7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth), 10 (Reduced Inequalities) and 13 (Climate Action).

Women's Livelihood Bond Series (WLB Series): The WLB Series are innovative, multi-country and multi-sector debt securities that bring together public- and private-sector actors to mobilize private-sector investment in women-focused enterprises. IIX has successfully structured and issued the Women's Livelihood Bond Series 1 and 2. They are the world's first impact and gender lens instrument to be listed on an exchange and to report social and financial returns. IIX is currently managing two portfolios of loans to organizations that support sustainable livelihoods for women across South and Southeast Asia. The WLB Series has won recognition for its innovative approach to financing climate action and gender equality through the 2019 UN Climate Action Award and the 2020 Partnering for Green Growth Award. Together, WLB1 and WLB2 are supporting at least 11 SDGs: 1, 2, 3, 4, 5, 6, 7, 8, 11, 13 and 17.

The Impact Partners crowdfunding platform and the Women's Livelihood Bond Series provide two different ways to raise capital for enterprises at different stages of growth. In the case of Impact Partners, crowdfunding is an important source of equity and debt financing for early-stage enterprises. This is especially important, since lack of access to investor networks and information on financing options, or lack of qualifications for grant funding can become a bottleneck to growth. Equity crowdfunding also allows enterprises to circumvent the extensive disclosure, registration and reporting required for conventional investments. With Impact Partners, enterprises also benefit from services that better align their financing needs to the preferred project sizes of regional and global investors, and from encouragement for more traditional investors to participate alongside impact investors.

The Women's Livelihood Bond Series raise capital for growth stage enterprises, and also bridge critical gaps in the supply and demand for capital by addressing three factors:

- Additionality: bringing new stakeholders into financing sustainable development, typically from the private sector, who would not otherwise participate;
- Leverage: using existing sources of funding from public or philanthropic actors to obtain far larger amounts of capital; and
- Impact: mobilizing capital at scale to magnify achievements for underserved groups who are difficult to fund (in this case, low-income women who are excluded from capital markets).

Methodology

A combination of approaches were used to formulate this report, including both primary and secondary research.

Primary research

Phone Interviews: IIX conducted 13 interviews with stakeholders. These included impact or sustainable investors, both current investors with Impact Partners or the Women's Livelihood Bond, and those who have not invested in women or climate. The phone interviews were conducted in order to understand the risks and barriers for active and inactive investors. Beneficiary organizations (impact enterprises), and service providers were also interviewed to understand how they view the financing flows related to Impact Partners and the WLB, how these flows align with their social or environmental impact goals, and where there are opportunities to improve financing flows. Please see Appendix A for the full list of interviewees.

Questionnaires: IIX distributed questionnaires to an additional 8 stakeholders who are within the Impact Partners investor network, but have not made an investment through the platform. The questionnaires asked for their input and view on investments that have been available to them, the attractiveness of these investments, and alignment with their financing expectations. The respondents represented a range of high-net-worth-individual investors, donor government representatives overseeing donor programs in Indonesia, and family companies. The results of these questionnaire responses are included in Figures 3-5. Both the phone interviews and the questionnaires represent a spectrum of current investors, potential active investors, and inactive investors.

The purpose of this report is not to analyze the differences in investor responses by investor type. Further research may further assess if and how individual and institutional investors face different kinds of barriers to gender- or climate-related investments.

Primary source material: IIX drew on extensive material from Impact Partners and the Women's Livelihood Bond, including existing case studies developed for the Rockefeller Foundation and Singapore Toteboard, the U.S. donor agency USAID, IIX impact assessment reports and investor impact and financial reports.

IIX Values: IIX used impact assessment interviews and beneficiary data collected in investor reporting materials. This method used IIX's digital impact assessment tool, IIX Values, to collect beneficiary data, even during COVID. This process is elaborated in Section III.

Secondary research

Desktop research: IIX conducted secondary desktop research to broadly assess the recent trends in innovative finance, gender lens and climate finance. This research included a thorough review of the current literature to identify opportunities and gaps with regard to stakeholders, including risks and barriers in financing flows for women in climate-resilience sectors in Indonesia. IIX also reviewed traditional and innovative financial mechanisms that have unlocked capital for climate resilience and the sectors that expedite the climate agenda in Asia, including clean energy, forest management, sustainable agriculture, access to water, the blue economy and climate compatible cities.

FTA research methodology

Where feasible, research was conducted to align with the methodology proposed by the Forests, Trees, and Agroforestry program's Forests, Trees and Agroforestry, Priority 17 (see Primo et al. 2021). The research was conducted in three phases: (i) In-depth interviews with the implementing agency (IIX); (ii) key informant interviews with representatives of financing sources, recipient groups (beneficiaries) and service providers; and (iii) feedback and validation. Due to COVID-19 limitations on the ability to speak in person with individual recipients or hold focus group discussions and workshops, the research methodology was adapted to make use of existing interviews with individual beneficiaries conducted within the past two to three years for IIX's impact assessment reports, as well as technology-driven beneficiary data collected through the IIX Values tool. The report findings were shared with the interviewees to gather their feedback. The research took guidance from FTA on sample questions to analyze landscape financing, but modified these where needed to better suit the perspectives of private-sector, for-profit stakeholders.

Language and data collection was adapted to bridge the two industry bodies of knowledge — the body of research that is being conducted for integrated landscape initiatives under the FTA program, and the wealth of existing information on the gaps in supply and demand for sustainable and impact investing (produced by IIX, the Global Impact Investing Network, and the Aspen Network of Development Entrepreneurs, to name a few).

Case study

Impact partners crowdfunding platform

Capital Unlocked

US$166M
INVESTMENT CAPITAL
Direct and Follow on

Climate resilience priority sectors

Financial return

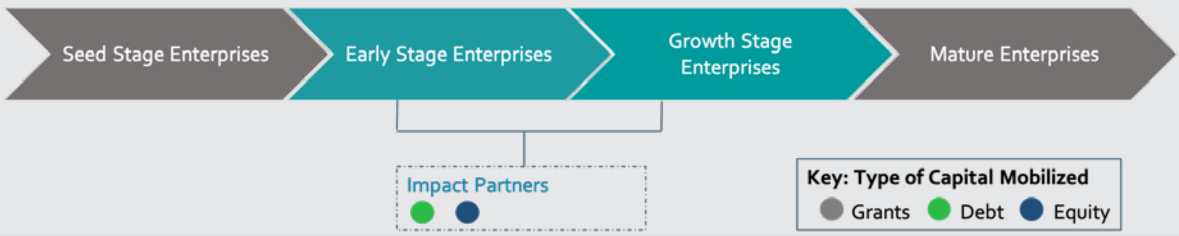
26-200%
IRR
Varies for Each Deal

Overview

Established in 2011, Impact Partners is a debt and equity crowdfunding platform for sustainable investing that connects pre-screened, investment-ready enterprises to a network of impact investors. Impact Partners increases the efficiency and effectiveness of the capital raising process by informing investors about investment-ready opportunities. It also provides comprehensive support, including due diligence and inclusion of high-net-worth-individuals (HNWIs), through forming investor consortiums with impact funds and foundations.

Key features	Description
Type of mechanism	Crowdfunding platform
Implementing agency	Impact Investment Exchange (IIX)
Region	Asia Pacific (including Indonesia)
Sectors / beneficiary focus	Women, clean energy, agriculture, wash, circular economy
Deal size	Average range US$ 20,000 – 2,000,000
Key terms	Specific terms vary with each deal (equity, quasi-equity,[6] debt)
Risk mitigation mechanisms	• Technical assistance partners • Crowdfunding • Impact assessments

Social capital markets value chain

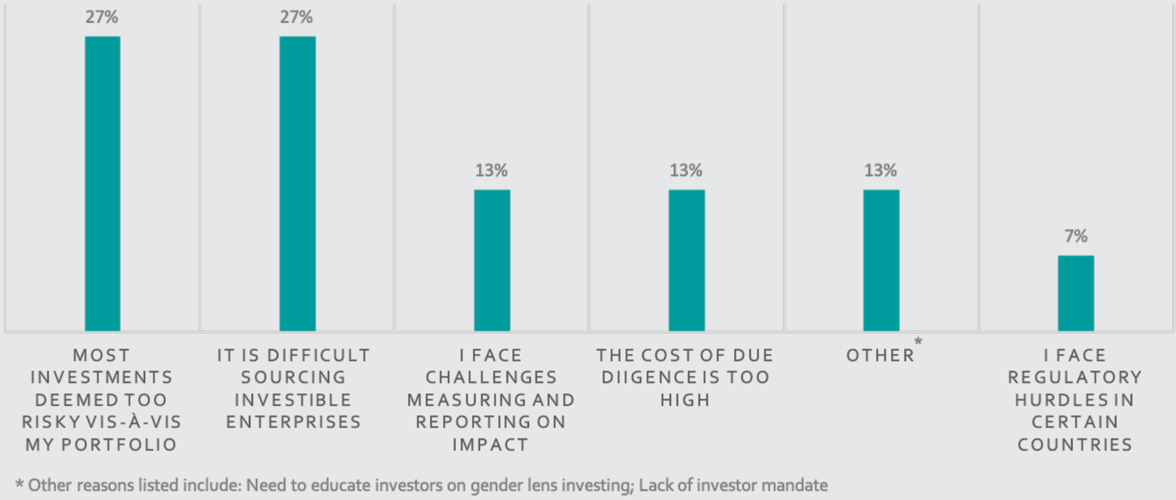


The market opportunity

Several investment barriers continue to limit innovative, gender responsive climate financing. Crowdfunding platforms such as Impact Partners are critical in order to address investors' perceptions that such financing is high risk, especially for opportunities that seek to achieve both social/environmental and financial returns. This is especially true for sectors such as the blue economy and forest management, where entities may lack a proven history. Figure 3 identifies the top constraints to investing in women SMEs that investors raised in interviews and questionnaires.

6 Quasi-equity is a kind of financial instrument by which the investor and investee share the risks in a way that is more flexible than through debt. It is sometimes used in cases where equity financing is not possible.

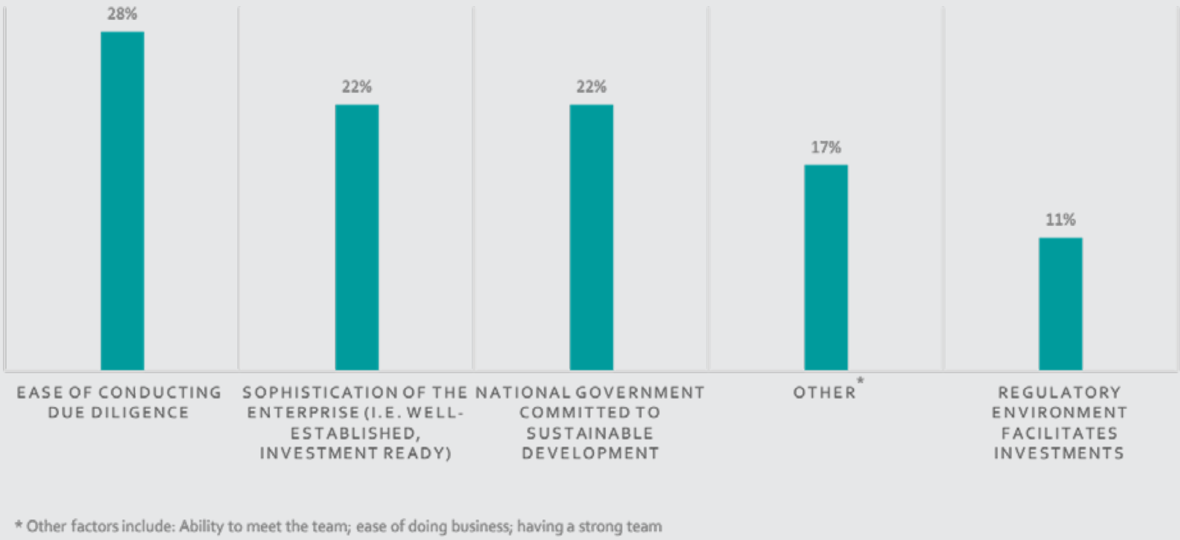
Figure 3: Top investor constraints to investing in women SMEs



Source: Stakeholder interviews and survey results; IIX analysis

Figure 4 identifies the most important risk mitigation factors that investors look for when investing in women SMEs.

Figure 4: Most important risk mitigation factors that investors look for



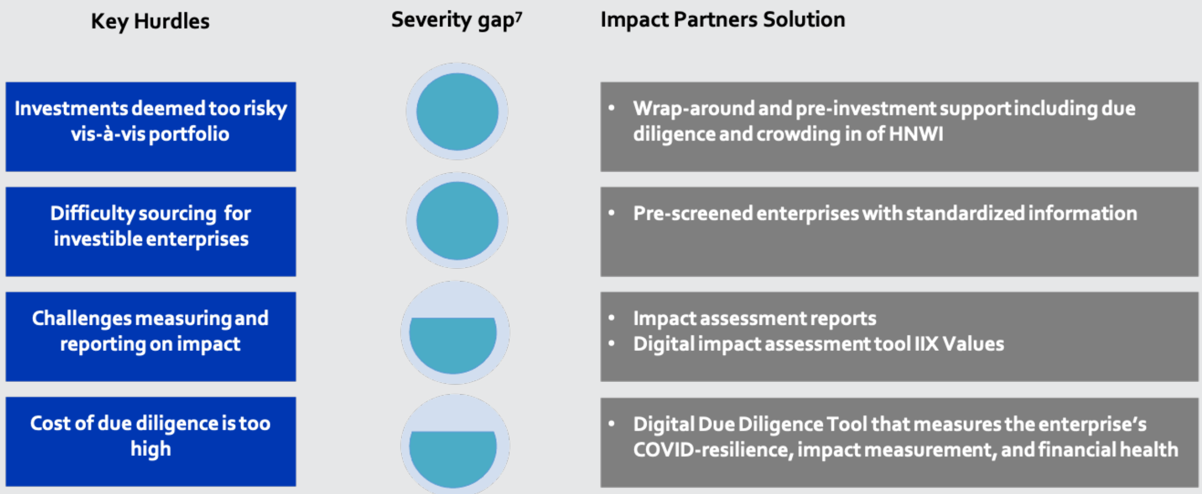
Source: Stakeholder interviews; investor website; IIX analysis

Figure 5 illustrates how Impact Partners addresses some of the key hurdles to investing in early-stage, impact-focused enterprises.

- Solution 1: By providing a holistic range of end-to-end services, Impact Partners ensures that an enterprise is investment ready before it raises capital through the platform. These services include support for creating a business plan, refining financial models, developing an impact assessment framework, creating a marketing and branding strategy, and preparing investment terms and pitches. Investors then have the information they need to better align their risk-return-impact profile with the investment opportunity.
- Solution 2: Investors benefit from access to pre-screened enterprises on the Impact Partners platform, reducing the challenge of finding deals.

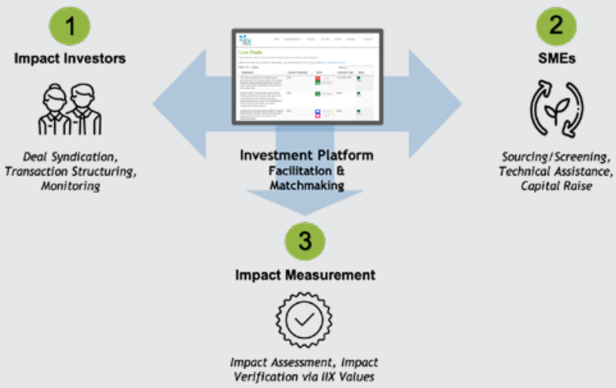
- Solution 3: The lack of information about the social and environmental value created by enterprises limits the ability of investors to assess the returns that these enterprises are able to offer. This means that investors have to make capital allocation decisions with limited or incomplete information, which translates into fewer deals, and a lack of transparency and trust. IIX provides impact assessment reports to fill this information gap.
- Solution 4: A major barrier to investing in smaller enterprises is the cost of due diligence. IIX bridges this gap by providing digital due diligence tools to enterprises to assess their businesses, and by making this information available to investors on the platform.

Figure 5: Supply and demand gaps addressed by impact partners to overcome the key hurdles for gender empowering investments



Mechanism outline

1. Investors have access to an extensive database of pre-screened enterprises.
2. Impact Partners prepares enterprises to be investment-ready and facilitates matching these enterprises with investors online and offline.
3. Impact Partners uses proprietary impact measurement to ensure that enterprises can optimize their impact. Impact Partners verifies the impact on the ground with beneficiaries.



7 Severity gap is an indication of how serious the gap is that needs to be bridged. Fuller circles indicate more serious gaps.

Analysis

Key innovative features and success factors

Impact Partners has three innovative features that are critical to its success as shown in table 2.

Table 2: Innovative features of Impact Partners

Beyond acceleration – capital raise	Trusted relation with investors	Standardized impact and financial reporting
• Provide customized capacity building services including investment-readiness and tailored mentorship to reach the next stage of growth • Knowledge on how to close financial transactions	• Provide deep knowledge on closing financial transactions to build trusted relationships with over 1,200 registered accredited investors • Exposure to like-minded investors to co-invest in socially and environmentally focused SMEs	• Post-investment monitoring services help investors keep track of their investee's latest developments and impact • Potential opportunities for future engagements with investee companies • Provide a benchmark to compare actual versus estimated performances

Stakeholders engaged (sample)

Public Sector:
Donor Agencies, Government Agencies, etc.

Private Sector:
High Net Worth Individuals, family offices, institutional investors

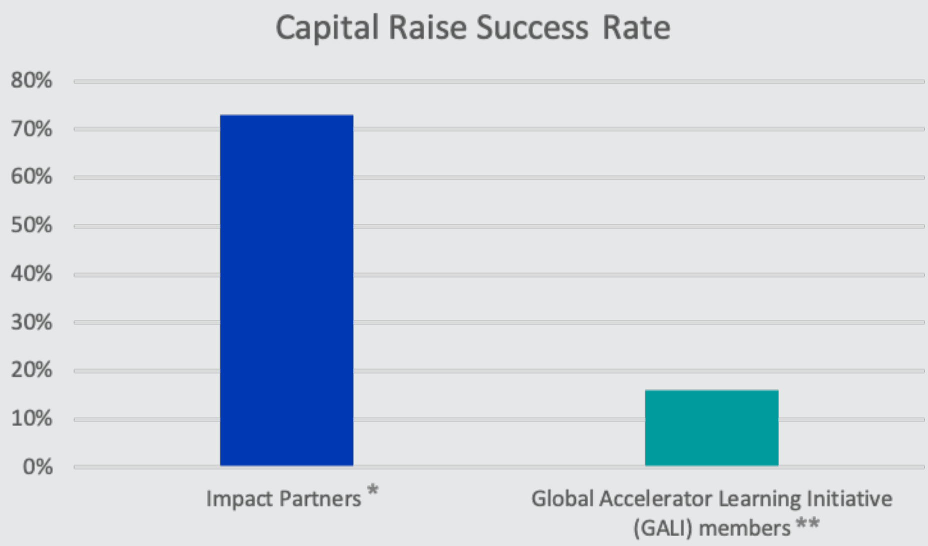
Philanthropic/Civil Society:
Foundations, NGOs

Opportunities to scale

Successful crowdfunding platforms for sustainable investing remain limited. Figures 6 and 7 provide a snapshot of how difficult it is for accelerators[8] and impact-focused crowdfunding platforms to successfully raise capital for enterprises, or to even survive. Based on a survey of more than 318 accelerators that are a part of the Global Accelerator Learning Initiative (GALI), less than 20% of ventures that underwent acceleration were able to raise equity in the year of acceleration. In comparison, Impact Partners has a 73% success rate in raising capital for investment-ready enterprises.

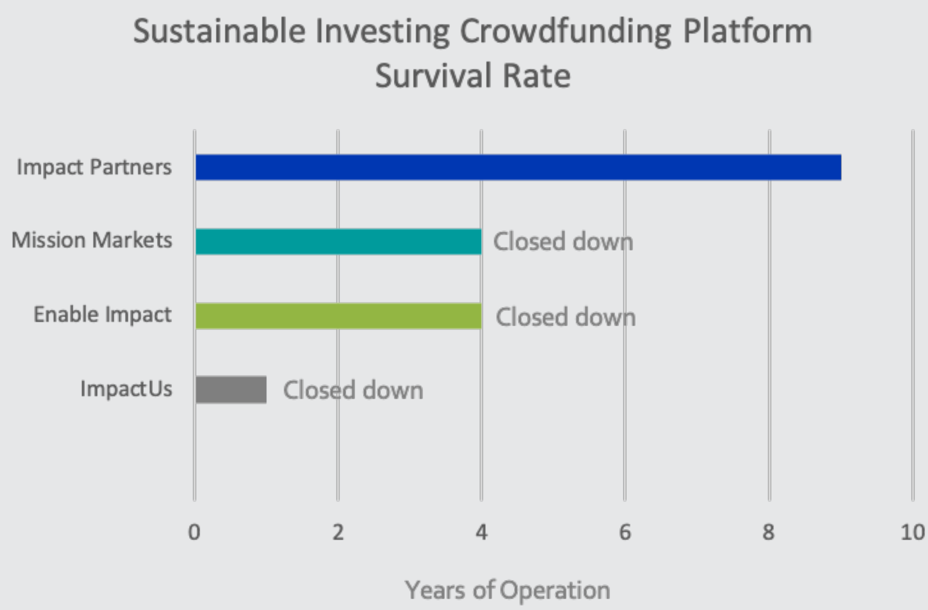
8 Accelerators is a term used for programs that strengthens developing businesses through providing advice, helping them access finance and other resources.

Figure 6: Snapshot of accelerators



*Success rate in raising capital for investment-ready enterprises (equity)
** GALI is an initiative of the Aspen Network of Development Entrepreneurs (ANDE); the graph indicates the percentage of ventures with new equity in year of acceleration.
Full report here https://www.galidata.org/assets/report/pdf/accelarating_women_led_startups_final.pdf

Figure 7: Crowdfunding platforms



The challenges in raising capital for an impact enterprise in developing and emerging markets are significant. Since the launch of IIX's Impact Partners, more than 5,000 enterprises have applied on the platform, yet only a handful are ready to raise capital. Before being listed on the platform, enterprises in developing and emerging markets require 12 to 18 months to become investment ready. This means that they understand the responsibilities that come with equity financing, and they have prepared their business and financial models. In addition, they must prepare a standardized impact assessment report that communicates their social and environmental impacts to investors. To assist with these tasks, IIX runs a program called Equity@Scale (E@S), funded by the Australian Department of Foreign Affairs and Trade. The program provides four types of capital to allow women-focused enterprises to grow: human capital (access to investment readiness training), social capital (access to mentorship networks), financial capital (access to capital raisings support), and economic capital (access to markets). Through E@S, IIX has democratized access to investment readiness training and gender lens impact assessments for almost 300 enterprises in the region. It has also cut the time and therefore the cost of technical assistance and moved capital towards gender-lens investments more efficiently.

Meanwhile, a wave of impact investing platforms have failed at an alarming rate (see Figure 7). The closure of one of these platforms, ImpactUs, in 2018 — just after a year of launching — was widely seen as an industry failure because of the sheer amount of support that went to the company. This included millions of dollars from the MacArthur Foundation, Ford Foundation, Kellogg Foundation, Open Road Alliance, and others.

Impact Partners' success, where most other similar platforms have failed, is due to its identifying and addressing the critical barriers to the supply and demand side of impact capital. IIX took a multi-stakeholder, multi-pronged approach to tackle issues faced by each segment of the industry's value chain in order to facilitate the success of the platform. This was done in four broad ways:

1. **Market education** to raise awareness of impact investing opportunities and increase understanding of the specific roles of different stakeholders;
2. An innovative accelerator program to provide tailor-made **investment readiness** and impact assessment services for enterprises;
3. Managing **investor relations** both online and offline; and
4. Leveraging unparalleled knowledge in **closing deals** with investors.

From the field: Krakakoa

Despite being the third largest cocoa growing country in the world, Indonesia is known as a producer of low-grade cocoa, with most of it used as fillers. The problems can be traced back to the skill and welfare of smallholder farmers who grow cacao trees, a lack of incentives to conduct a proper post-harvest process, the long chain of intermediaries from farm to the market, and a lack of players who care about the whole value chain from bean to bar. Subsistence farming is directly linked to forest degradation and is the main cause of slash-and-burn agriculture and encroachment into protected forest areas.

Krakakoa Chocolate is an Indonesia enterprise that produces chocolate from 100% Indonesian beans, while improving the livelihoods of Indonesian cocoa farmers and protecting the environment. Direct sourcing (purchasing directly from the cocoa farmers) allows Krakakoa to practice strict quality control right from the beginning. The enterprise works with farmers in conservation areas, such as the Bukit Barisan Selatan National Park, where some of the last remaining Sumatran rhinos, tigers and elephants live. Farmers that supply to Krakakoa benefit from price premiums (being able to sell the cocoa at a higher price than what they would have been paid without Krakakoa's intervention) of up to 100 percent, in return for employing conservation practices. Krakakoa trains farmers on the use of eco-friendly farming practices as well as on the use of organic fertilizers to improve land productivity over the long run. By helping farmers generate more income from their current farmland, Krakakoa helps to reduce the need for farmers to expand their land into protected forest areas. Finally, Krakakoa's land mapping program helps create improved transparency in land-use and supports local government efforts to control further curb land expansion and encroachment issues. Based on IIX's impact assessment, 450 farmers were able to increase their income by an average of USD 17,078, and increase cost savings by USD 9,659. This represents a **62% increased income** due to the price premium on cocoa, and a **22% increase in cost savings**.

Additionally, Krakakoa recognizes that women are an important part of the agricultural supply chain and has special training programs for female farmers. The company also has a predominantly female workforce at its processing plant in Bandar Lampung. Integrating women across the supply chain and giving them access to equal economic opportunities as their male counterparts empowers them to protect the environment they rely on for their livelihoods, and transforms them into solutions to climate change issues such as deforestation or unsustainable agriculture. Based on IIX's impact assessment, 100% of factory workers (low-middle income women) experienced an average of 27% increased income due to the wages earned at Krakakoa's processing plant.

Impact Partners has been supporting enterprises like Krakakoa with pre and post investment support to de-risk investments and bridge the gap between supply and demand. Via IIX's sourcing network, Impact Partners worked with Krakakoa as part of the Swedish government's Gender Transformative & Responsible Investments in South East Asia Project (GRAISEA), which targets smallholder farmers and workers – especially women – in the formal and informal parts of the supply chain of key commodities. IIX's award-winning accelerator program ACTS supported Krakakoa with grant-funded impact assessment and investment readiness technical assistance, valued at US$100,000 worth of services, and providing the Swedish government with three times the leverage (meaning that for every dollar of grant funding that SIDA spent on the accelerator, IIX was able to raise 3x the private sector investment into investment-ready enterprises). The GRAISEA program targeted early stage enterprises who would benefit from support in creating business and financial documentation which is required by investors during the investment process. After completion of the program, IIX then continued to work with Krakakoa to raise capital. In 2017, Krakakoa was listed on IIX's Impact Partners platform and matched to accredited impact investors, successfully raising capital from a coalition of individuals, foundations, and impact funds. Believing in Krakakoa's impact and business, IIX led a subsequent equity funding round in 2019 that pooled together investments from the IIX Growth Fund, LIC VC and an individual investor. Krakakoa is providing investors with a social return on investment (SROI) of US$1.5 (for every dollar invested, Krakakoa generates US$1.5 in social and environmental impact). The return of existing investors, as well as the entry of new investors in subsequent financing rounds, is a powerful indicator that current investor expectations continue to be met.

Figure 8: Krakakoa social and environmental highlights

Activity

Farmers and Farmer Coordinators

- Training farmers on agricultural techniques to improve quality of cocoa beans and increase yield
- Mapping of farmer plots and monitoring land usage through the season
- Purchase of cocoa beans directly from farmers at a premium price

Factory Workers

- Processing, manufacturing and selling chocolate

Environment

- Training farmers on improved agricultural techniques and controlling the use of harmful chemicals during the farming process

Outputs

450 cocoa farmers to be trained annually over the next 4 years on improved agricultural techniques

Female factory workers provided with access to stable wages, transitioning to a sustainable livelihood

450 farmers provided with **access to equipment** to implement environmentally-friendly farming methods

Primary Outcomes

ENHANCED ECONOMIC RESILIENCE
(Increased ability for farmers to transition to sustainable livelihoods and adapt and respond better to economic shocks and stresses due to increased income through premium earned, access to equipment that improves productivity, and cost savings due to reduced use of fertilizers and pesticides.)

Farmers experience an average of 62% increased income due to price premium on cocoa (from 32,708 IDR to 53,000 IDR per kg of cocoa beans)

100% factory workers are low-middle income local women who experience an average of 27% increased income

INCREASED LAND PRODUCTIVITY
(As a result of using environmentally friendly practices such as use of organic fertilizers and pest control and improved farming techniques)

- 100% of farmers implementing improved farming training techniques experience increased yield from ~363 kg/hectare to ~600 kg/hectare
- 64,278 kilograms of chemicals avoided due to reduced use of pesticides and chemical fertilizers
- Zero waste production process ensured by using or recycling all parts of cocoa fruit during the production process

Secondary Outcomes

ENHANCED QUALITY OF LIFE (FOR WORKERS AND FAMILIES)
(increased ability of beneficiaries to improve basic wellbeing of themselves and their families plus multi-generational impact on children)

Indicators
- % of workers that invest savings in essential goods (healthcare/water & sanitation facilities/ energy devices/ fridge/basic vehicles)
- # of children/family members impacted (access to education / healthcare / sanitation)

MAGNIFIED WOMEN EMPOWERMENT
(increased sense of economic security and increase ability to participate actively in economic decision making)

Indicators
- # of female employees that report feeling more economically secure
- # of female employees that participate in economic decision-making process at home and in their community

INCREASED ACCESS TO FAIR TRADE CHOCOLATES
(increased access of end-consumers to chocolates that provide health benefits due to organically grown cocoa bean)

Indicators
- # of customers who consume Kakoa's products

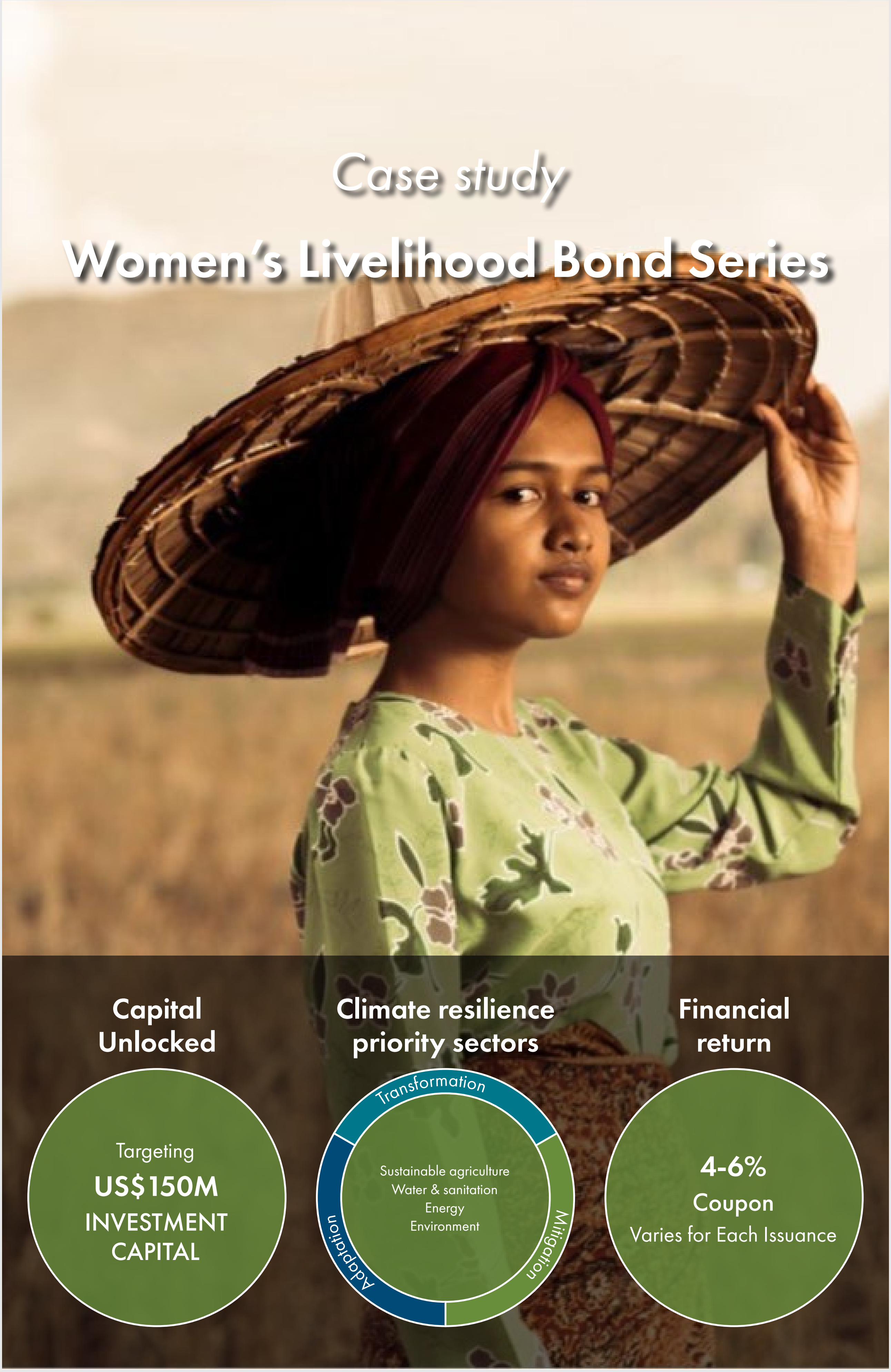
"I am seeing greater spirit, discipline, organization and commitment to the environment [amongst the farmers]. They want to become a more professional farmer."
- Pak Mahmudi
Kakoa Farmer Trainer

"With Kakoa, I am able to fulfill my day-to-day needs, my personal needs, the needs of my family."
- Sari Fitriani
Kakoa Factory Employee

"Thankful to be able to sell at a premium price, to know that people can buy good quality chocolate from my beans and that my beans can be experienced by people outside Indonesia."
- Pak Maroof
Kakoa Smallholder Farmer

Case study

Women's Livelihood Bond Series



Capital Unlocked

Targeting
US$150M
INVESTMENT CAPITAL

Climate resilience priority sectors

Financial return

4-6%
Coupon
Varies for Each Issuance

Overview

The US$150-million Women's Livelihood Bond Series (WLB Series) are innovative, multi-country and multi-sector debt securities that bring together public- and private-sector actors to mobilize private investment for women-focused enterprises. IIX has successfully structured and issued WLB series 1 and 2, which are the world's first impact and gender lens instruments listed on an exchange and reporting social and financial returns. IIX is also currently managing two portfolios of loans to organizations that support sustainable livelihoods for women across South and Southeast Asia. The WLB Series has won recognition for its innovative approach to financing climate action and gender equality through the 2019 UN Climate Action Award and the 2020 Partnering for Green Growth Award. Together, the WLB1 and WLB2 support at least 12 SDGs: 1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 13 and 17.

Key features	Description
Type of mechanism	Bond
Implementing agency	Impact Investment Exchange (IIX)
Region	Asia Pacific (including Indonesia)
Sectors / beneficiary focus	Women, clean energy, agriculture, wash, financial inclusion
Deal size	US$ 20.5 million
Key terms	4–6% coupon, four-year tenor (varies per issuance)
Risk mitigation mechanisms	USAID 50% PARI- PASSU[9] Guarantee; first loss capital

Social capital markets value chain

Market opportunity

The WLB series use an innovative financial structure to address four key market issues that prevent more capital from reaching underserved women (Table 3).

9 Pari-passu, from the Latin for "equal footing," describes a financial product that will be treated as an equal to other similar products.

Table 3: Key market issues addressed by the women's livelihood bond series

Investing in women's empowerment	Managing risk Perception	Achieving scale	Transparency and liquidity
To address this gap, the WLB series invests in companies that support women to transition to sustainable livelihoods through access to microfinance (providing micro credit, micro savings and micro insurance) and integration into agriculture supply chains (to ensure fair pricing and stable access to markets). For every $1 invested in the WLB series, the Bonds generate ~$3 of social value for underserved women.	Many traditional investors are unfamiliar with the sustainable investing space and have limited understanding of themes of climate and women. The WLB2 addresses this high risk 'perception' by structuring the Senior Notes to benefit from two layers of credit protection: 50% guarantee from the US government's donor arm (USAID) and 12.5% subordinated debt from the Rockefeller Foundation.	Most deep impact investment opportunities lack the scale required to effectively tap into capital markets. By pooling together a group of women-focused enterprises, the WLB series help these entities access large-scale capital and allow private sector investors to participate in deep impact investment opportunities. These are entities that could not otherwise have accessed capital markets.	By creating the first impact investing security in the world to be listed on a stock exchange, the WLB series is paving the way for more liquid financial securities in the future and improved transparency for investors. The WLB series reports both social and financial performance on a semi-annual basis.

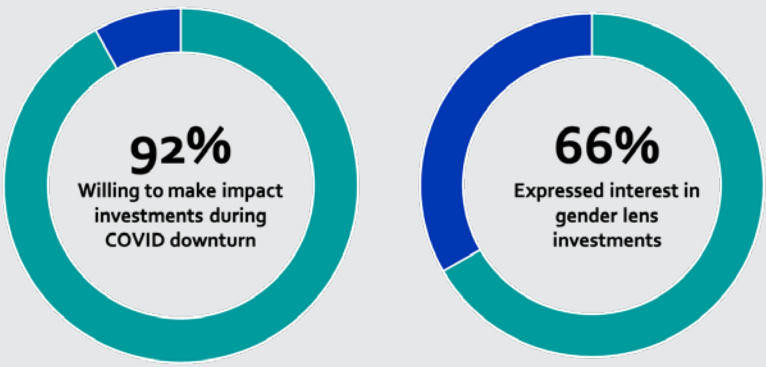
The innovative WLB Series is unique in the market for its ability to address critical gaps in gender responsive climate finance. Figure 9 illustrates how the WLB Series is driving progress across multiple SDGs and climate resilience sectors.

Figure 9: Women's livelihood bond 2 – supporting 12 of 17 SDGs

*Certain figures include indirect beneficiaries, i.e., family members of women directly impacted by the WLB 2 Borrowers

There is a critical need for more gender-responsive instruments. Interviews with investors demonstrate that they are aware of and interested in gender lens investing (GLI) . There is a range of gender lens practices among funds that have an explicit gender lens mandate. For green-focused investors, gender remains an afterthought. Figure 10 shows that while an overwhelming majority of investors are still willing to make impact investments during COVID, significantly fewer of them are interested in gender lens investments.

Figure 10: Investors looking to invest during COVID



Sources: Stakeholder interviews; survey; investor website

Table 4 provides a snapshot of some GLI strategies being deployed in Indonesia. This table illustrates gender lens investing strategies among three regional institutional investors. In all cases, the investors also invested in sectors that contribute to climate resilience (most predominantly the sectors of clean energy, sustainable agriculture, circular economy, and access to water). These investors incorporated a gender lens across all sectors of investment.

Table 4: Growing investor appetite and sophistication — GLI strategies in Indonesia

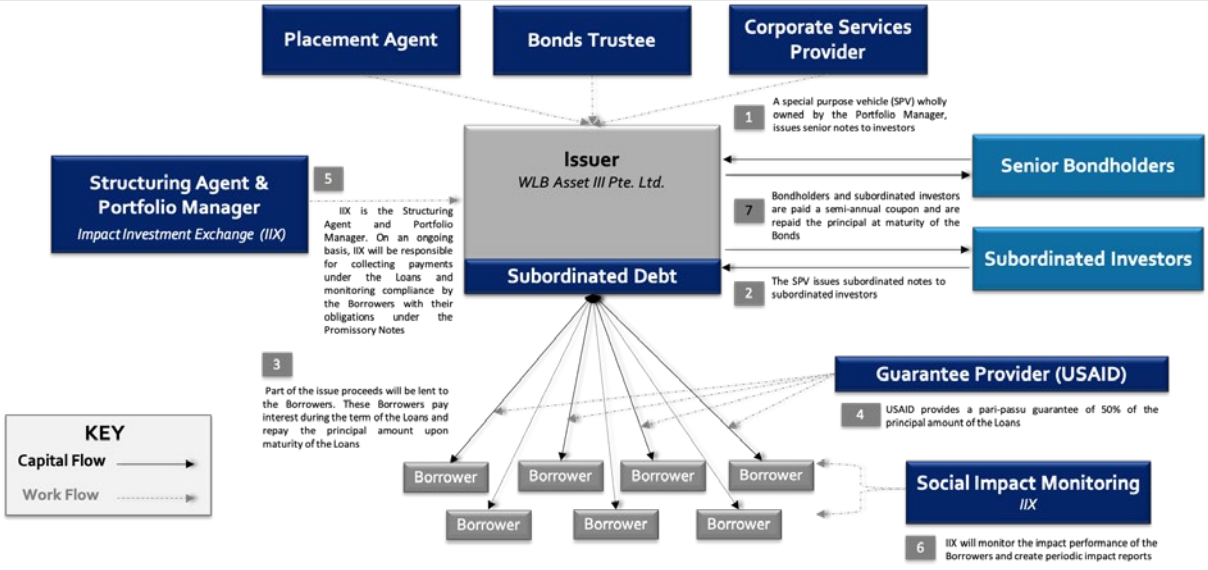
GLI STRATEGY	INVESTMENT ACTIVITY	USE IN INDONESIA
• Women representation in senior management • Overall representation in company • Gender breakdown in permanent/temporary/site staff	• Debt and equity financing to waste management, circular economy, recycling SMEs	• Indonesian female-led company specializing in recycling PET bottles into materials for production of packaging for textiles
• Identify gender lens challenges within specific industry • Set gender balance targets at management level • Gender lens KPIs for fund manager	• Currently fundraising for gender lens fund	• While details of investments are not available, the target is companies employing women, products/services for women, or supply from women-owned businesses
• Women on boards, in senior management, (re)entering the workforce • Women investing in capital, running companies, or community leaders	• Gender lens fund for venture capital investments in Southeast Asia	• Target high growth tech firms

Source: Stakeholder interviews; survey; investor website; KPI = key performance indicator

Mechanism outline

The WLB Series are debt securities that effectively mobilize large scale private sector capital for sustainable development by pooling a number of growth-stage women-focused enterprises. This pooled structure allows the borrowers to obtain large amounts of capital that they would not have been able to raise individually. The financing provided to borrowers is then used to fund those activities that provide underserved women with access to micro-credit, micro-savings, and micro-insurance, training and skills development, and access to market through integration with the agricultural supply chain (IIX 2020). The WLB Series is designed to be replicable instruments, offering attractive rates of risk-adjusted returns to investors who are interested in both social and financial returns. An overview of the WLB mechanism is shown in Figure 11.

Figure 12: Women's livelihood bond mechanism



Source: IIX 2020

Analysis

Key innovative features and success factors

The WLB Series creates additionality by bringing in commercial partners such as law firms and banks, who have traditionally not been participants in sustainable investing. Also, the de-risking mechanisms used reduce the perceived and real risk of the WLB Series, attracting many traditional private-sector investors who have not previously invested in sustainable development or women's empowerment. The WLB Series leverages every $1 mobilized to bring in +$30 of private-sector capital, thereby expanding the pool of resources to address the SDG funding gap in emerging markets.

Table 5: Innovative features of Impact Partners

Pooling basket of entities	Risk-return-impact strategy	Listing on stock exchange
• Diversified portfolio: Enterprises with relatively higher impact and financial return, with enterprises with relatively lower risk profile allows the portfolio to be optimized for investor's risk-return-impact • Provide a channel to attract greater amounts of impact investment capital than these entities could have otherwise accessed on their own	• The world's first multi-country, multi-sector gender lens social bond • A 50% pari-passu guarantee provided by USAID, giving private sector investors a high degree of comfort to invest in the bond • Mitigates social risk by conducting upfront social due diligence on the underlying borrowers and by providing investors with semi-annual impact reports	• Listing allows trading and will add secondary liquidity which is currently missing from the impact investing space • Listing ensures transparency of results (both financial and social); • Enhances the credibility of the transaction, providing investors with comfort around innovative financial products

Stakeholders engaged (sample)

Public Sector:
Government Agencies

USAID FROM THE AMERICAN PEOPLE · Global Affairs Canada · Australian Department of Foreign Affairs and Trade

Private Sector:
Banks, Law Firms, Corporates, Investors

Standard Chartered · Shearman & Sterling LLP · cyril amarchand mangaldas · DBS · Latham & Watkins LLP · ANZ

Philanthropic/Multilateral:
Foundations, Multilaterals

The Rockefeller Foundation · United Nations ESCAP · UNCDF · P4G Partnering for Green Growth and the Global Goals 2030

Opportunities to scale

In light of the COVID pandemic, social bonds and other social-themed fixed-income products are gaining traction with impact investors, specifically those with a COVID focus. Green, social and sustainability bond issuances totalled a combined US$400 billion in 2020, up 24% from the previous record of US$323 billion in 2019 (Moody's 2020). While these are promising signs that investors are coming around to the concept of a sustainability dividend, the need for transparent, cost-effective, scalable and replicable instruments such as the Women's Livelihood Bond remains a challenge. The WLB Series has succeeded in demonstrating its scalability and replicability, and each new issuance has been able to expand to new countries and new sectors to reach more underserved women across Asia Pacific.[10]

There is an opportunity for the public, private and philanthropic sectors to pool their resources to support the development of more innovative and gender responsive financial instruments and to de-risk instruments in order to bring in more private-sector capital for climate resilience. See Table 6.

Table 6: Opportunities for different stakeholders to support innovative financial products

Public sector	Private sector	Donor/Philanthropic
• Developing conducive policies that incentivize investors to participate in innovative products (e.g. tax rebates) • De-risking innovative financial mechanisms by providing AAA rated guarantees or catalytic first loss capital	• Supporting the structuring process of innovative instruments by lending their skills and expertise • Supporting the selling process of innovative instruments by investing themselves, acting as the lead underwriter, etc.	• Covering the upfront costs of structuring or conducting feasibility studies with grant funding • Investing in new initiatives considered too risky by the private sector through Program Related Investments

10 More information on the differences between the first and the second issuances of the Women's Livelihood Bond Series can be found in an article by The Rockefeller Foundation (2020): *Standing Firm Beside Underserved Women in Asia*. https://www.rockefellerfoundation.org/blog/standing-firm-beside-underserved-women-in-asia. Accessed 13 October 2020.

From the field: KOMIDA

Across Asia, women and girls continue to face structural constraints that trap them in subsistence livelihoods. This consequently reduces their resilience to economic and environmental downturns and compromises their holistic economic development. The WLB was established to address three key challenges faced by women:

- limited access to credit and financial knowledge, resulting in vulnerability to economic shocks and stresses;
- limited availability of affordable goods and assets, constraining women's ability to maximize productivity; and
- limited access to knowledge and skills, inhibiting their self-improvement opportunities and keeping them trapped in the informal economy.

Furthermore, women's livelihoods are deeply tied to climate issues and to access to water and sanitation. Women in rural areas are critically important in their family's and children's health and well-being, as the primary individuals responsible for collecting water for domestic and productive activities. As climate change increases the frequency of droughts, women face increasingly difficult access to water and have to spend more time travelling to distant water sources. This reduces the time available for other domestic activities and income-generating activities. Meanwhile, in Indonesia, 99 million people lack access to basic sanitation facilities and 58 million practise open defecation due to the lack of access to water and adequate infrastructure. Two of the four leading causes of infant mortality in Indonesia — diarrhea and typhoid — are linked to inadequate water supply (Wray 2017).

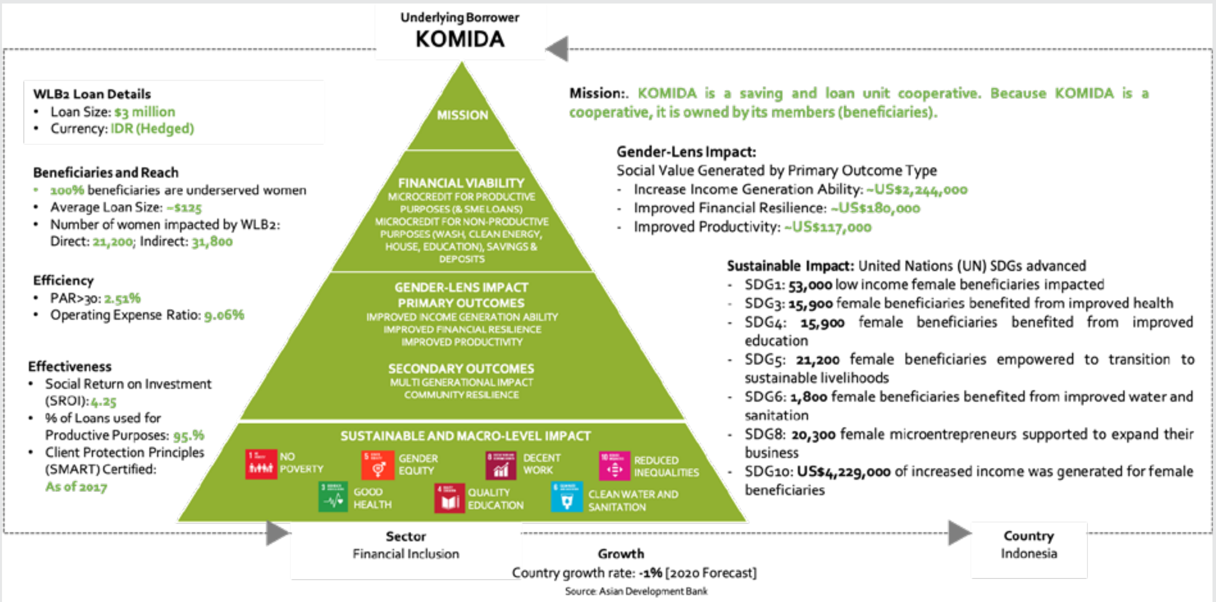
KOMIDA (Koperasi Mitra Duafa) is an Indonesian cooperative that offers micro-finance services to its members, with the aim of providing financial and non-financial assistance in the form of savings, loans and training. All of KOMIDA's members are underserved women, and it provides a range of loans to support women in building financial resilience, and to access loans for water, sanitation and hygiene (WASH) products.

With a loan of US$3 million from the second issuance in the WLB Series, KOMIDA has created an estimated social value of approximately US$2,541,000 (as of Q2 2020), allowing approximately 21,200 women to make the transition to sustainable livelihoods. It also had indirect impacts on approximately 31,800 women and girls, while generating US$4.35 of social value for every US$1 invested. KOMIDA's impact maps to 7 of the UN SDGs (SDG1, 3, 4, 5, 6, 8, and 10) and empowers women to increase their income, build financial resilience through increased savings, and enhance their productivity through WASH loans. This last achievement is particularly critical as the COVID-19 pandemic intensifies in Indonesia. 95% of the loans were used for a variety of productive purposes, including agricultural production, (small) animal husbandry and home shops and food stands.

The WLB series offers borrowers loans with four-year terms (which is longer than what most high-impact enterprises are able to secure locally) at competitive rates (with a view to not distort the market). IIX will also consider the additionality of the WLB's capital (e.g., by supporting Tier 2 microfinance institutions (MFIs), which have less access to capital than Tier 1 MFIs do). In each case, IIX will review the likelihood of borrowers in each sector to affect women through sustainable livelihoods and to advance the SDGs. As a part of this analysis, IIX will look at the percentage of women typically engaged in the sector and, as required, use that as a basis to ensure that loan agreements with borrowers include gender-lens criteria for using WLB loan proceeds for activities that will advance women's economic empowerment.

IIX uses its proprietary impact assessment framework, the IIX Sustainability Pyramid (see Figure 13), as part of its process. IIX's methodology considers each organization's mission, financial viability, and positive social and environmental impacts in order to assess its contribution to the SDGs. The bottom-up approach of our framework helps enterprises understand their impact value chain and identify ways to deepen their impacts by analyzing the relevance of these impacts to beneficiaries over time. The framework is also a tool to help investors make educated investment decisions that can lead to optimized impacts. The approach of the pyramid begins by considering the goal and objectives of the organization. The mission statement offers a point of reference to examine the strategy that the organization uses to accomplish its goal and objectives. Next, the framework investigates the details of the organization's business model and how its activities align with the mission of creating social and environmental outcomes. This review involves assessing the products and services provided by the organization as well as an overview of its target beneficiaries (e.g., women). The next step involves linking outputs (e.g., number of women served) to outcomes (e.g., value of increased income over the life of the investment). All these outcomes are considered in the broader context of the enterprise's country and sector to assess key factors such as national or industry growth rate, policy, innovation and technological developments. This gives a holistic understanding of the enterprise's ability to create sustainable impact.

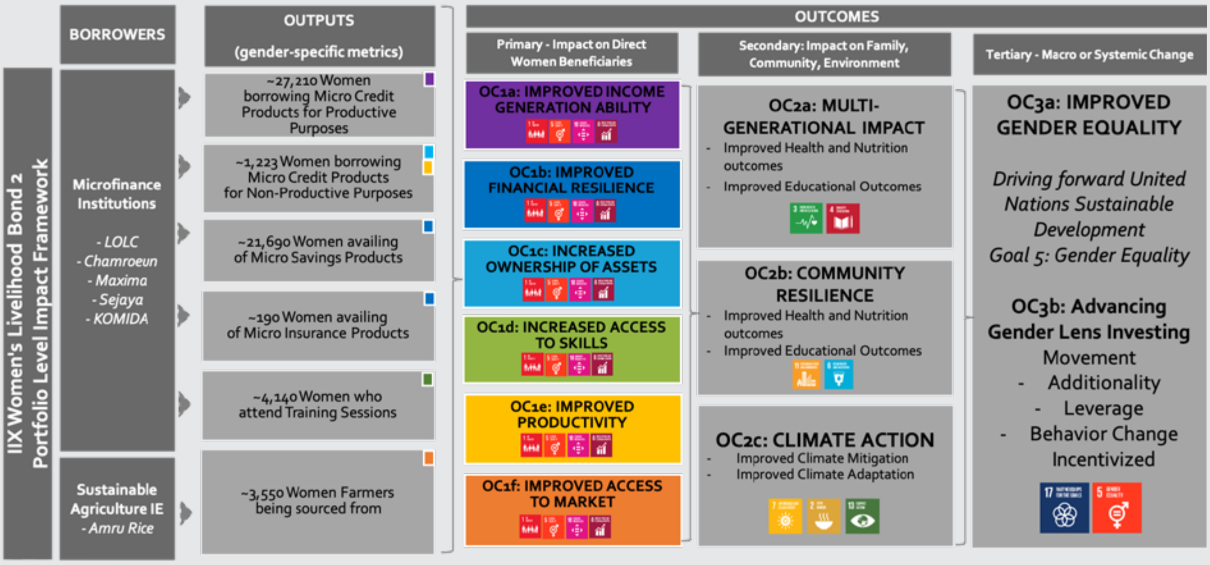
Figure 13: Highlights, KOMIDA social and climate resilience impacts



Sources: Adapted from IIX WLB2 Social Bond Principles Report: Second Party Opinion, 2020

Figure 14 outlines the WLB impact assessment framework. The framework establishes the linkages between the activities funded by the WLB and undertaken by the borrowers and the WLB's expected social outcomes on underserved women along the sustainable livelihoods value chain.

Figure 14: WLB2 portfolio-level impact assessment framework



SECTION III

Verifying impact with IIX values

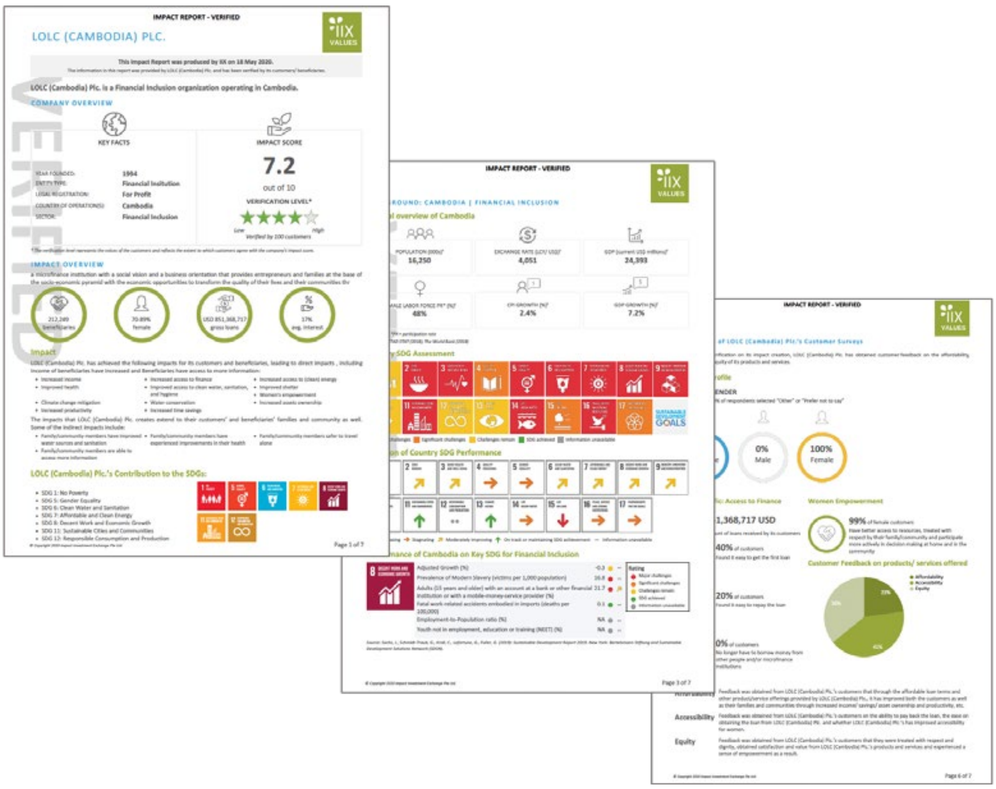
IIX Values

Listening to customers is a persistent challenge for businesses. Most current impact assessment approaches in the sustainable investing sector are not suitable. Some approaches fail to gather adequate information, while others are resource-intensive and difficult to scale. Most do not talk to the customers who are using the solution, leading to poor business alignment, and to an ineffective use of investment dollars.

IIX Values, is a digital fintech solution that helps SMEs measure their impact and risk to benchmark their sustainability ratings and make data-driven strategies for business growth. The impact is measured through IIX Values based on IIX's proprietary impact assessment methodology and Risk-Return-Impact (RRI) framework, which effectively couples risk-return analysis with sustainability considerations to maximize understanding of resilience. This fintech platform was developed from the expertise and impact assessment experience that IIX built over the past +12 years. It leverages data from more than 360 companies working across 46 countries. It supports enterprises in understanding and improving their impacts on customers and the environment, and gives customers a voice to verify the impact of the business on their lives. Ultimately, it empowers investors and funders by providing the data to effectively allocate capital and resources.

By verifying impact data from both the customer and the enterprise, IIX Values creates a robust database of real-time, verified information. This can be used by a wide range of stakeholders to identify gaps and better allocate resources and capital to high-impact programs. Figure 15 provides a snapshot of a verified report.

Figure 15: Sample Verified Impact Report



The impact report provides a snapshot of the company's impacts through two main features:

- the Impact Performance score measures the extent to which the company is contributing to social and/or environmental good; and
- the Risk Mitigation score assesses the extent to which the firm is reducing the risks facing individuals, households and communities.

In 2020, IIX Values was successfully piloted to assess a portion of the impact created by the borrowers of the Women's Livelihood Bond Series 2. By collecting data from a random sample of 285 women beneficiaries, IIX heard from underserved women, even during the COVID-19 pandemic. This data provides standardized, outcome-based customer impact information across an entire portfolio.

Figure 16: Key highlights from the piloted assessment of IIX Values

Question: Do you feel that your loan has increased the well-being of your family and community?	95%	YES
Question: Do you feel a greater sense of empowerment and decision-making power?	91%	YES
Question: Do you feel satisfied with the client services provided by the Company's staff?	84%	YES

IIX remains committed to empowering women from emerging markets to build COVID-19 resilient communities through the WLB Series. It will continue to keep investors informed on how the WLB Series is helping women to provide solutions to combat the crisis.

SECTION V

Recommendations

Key recommendations

This report showcases two innovative financing initiatives that are accelerating progress for women and climate action. Exciting developments are taking place in Indonesia to bring existing sustainable finance models to scale. The report offers five recommendations based on the lessons learned from the two case studies, and on insights from investors, enterprises and other stakeholders who are part of Indonesia's sustainable investing system.

1. **Effective de-risking strategies are needed to scale gender responsive climate finance.** A review of major financing instruments launched in Indonesia over the past two years reveals that most of them still rely on existing funds from a third party (donor, government, or corporate entity) (Thuard et al. 2019). Shifting to scalable financial instruments that unlock private sector investment that otherwise would not have occurred (additionality) is critical to realizing the gender (and green) dividend. With strong government support for mechanisms such as the Green Sukuk Bond and other green bonds, Indonesia is ready to expand beyond government-backed or pay-for-success mechanisms and unlock greater private-sector capital for women and climate, which can bring additionality to the country.
2. **Investors tend to prefer larger initiatives, leaving a widening investment gap for small- to mid-sized women-focused organizations.** Impact Partners and the Women's Livelihood Bond Series leverage various strategies to help bridge this gap in supply and demand, and to interest investors in enterprises at different stages of growth that would not otherwise be able to access capital. Impact Partners supports enterprises to meet early-stage growth challenges through access to a range of pre- and post-investment services. These include capital-raising support, access to a network of trusted investors, and providing investors with standardized impact and financial reporting. The Women's Livelihood Bond pools a group of women-focused enterprises to help them obtain large-scape capital and to allow private-sector investors to participate.
3. **To scale gender responsive climate finance, effective de-risking strategies are needed.** Despite their interest, investors still largely see gender lens investments as too risky. De-risking strategies will help investors balance three key factors: risk, return and impact. Impact Partners addresses risk by providing holistic pre- and post-investment support for enterprises and investors, due diligence and impact assessments, and by attracting new investors. The Women's Livelihood Bond Series addresses risk by creating a multi-country, multi-sector basket of entities, providing de-risking layers, and by being listing on a stock exchange.
4. **Future research must address knowledge gaps in capital markets.** There is an opportunity for research-for-development programs such as FTA to partner with impact and gender lens investors to bridge development and finance. Such partnerships can develop innovative research opportunities to leverage impact measurement and management practices. These can shift the discussion from a cataloguing of risks and barriers within a landscape to the development of feasibility studies for gender- and climate-focused financial instruments and the design of solutions to overcome barriers.
5. **Technology-powered and data-driven impact measurement can help to scale more gender responsive innovative financial instruments.** Limited data on risk, return and impact hinders investment decisions. Tools that are focused on beneficiaries and customers — such as IIX Values — amplify the impact measurement process and hold investors accountable for their social and environmental impacts.

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Appendix A

List of Stakeholders Interviewed:

Name	Designation	Organization
Akash Singh	Investment Manager	Circulate Capital
Arun Asok	Fund Manager	Bamboo Capital Partners
Beneficiaries	Anonymous via IIX Values	KOMIDA
David Brand	CEO	New Forests
Durreen Shahnaz	CEO	Impact Investment Exchange
Farwiza Farhan	Founder	Haka
Jane Dunlop	Founder	Green Enterprises
Kevin Robbins	Deputy Country Director	Swiss Contact
Marcel Neutel	Managing Director	C4D
Navin Rao	Director	Blue Ashva Capital
Robert Kraybill	CIO	Impact Investment Exchange
Sabrina Mustopo	CEO and Founder	Krakakoa
Sumitra Ashwani	Executive Director	Tolaram Foundation
Tanya Kothari	Business Development Advisor	Shell Foundation
Vicky Lay	Head of Impact Investing	Artesian Capital Management