



# DISRUPTIVE ROLES IN GENDER LENS INVESTING IN KENYA

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## About Plan International

Founded in 1937, Plan International is a development and humanitarian organisation that advances children's rights and equality for girls. We strive for a just world, working together with children, young people, our supporters and partners. We engage people and partners to:

- Empower children, young people and communities to make vital changes that tackle the root causes of discrimination against girls, exclusion and vulnerability,
- Drive change in practice and policy at local, national and global levels through our reach, experience and knowledge of the realities children face,
- Work with children and communities to prepare for and respond to crises and to overcome adversity, and
- Support the safe and successful progression of children from birth to adulthood.

With more than 80 years' experience working alongside communities in developing countries, Plan International is bringing its gender expertise, strong local partnerships and broad geographic presence to the gender lens investing market. For more information on Plan International's gender lens investing work, visit <https://plan-international.org/approach/gender-lens-ventures>.

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*COVER PHOTO: Emmariza was able to set up her own business after receiving a loan.*

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# LIST OF ACRONYMS

<b>BDS</b>	Business development support
<b>DFI</b>	Development finance institution
<b>FGD</b>	Focus group discussion
<b>GDP</b>	Gross Domestic Product
<b>GLI</b>	Gender lens investing
<b>GP</b>	General Partner
<b>KSH</b>	Kenyan Shilling
<b>LP</b>	Limited Partner
<b>MSME</b>	Micro, small and medium enterprise
<b>NGO</b>	Non-governmental organization
<b>PII</b>	Private impact investor
<b>SACCO</b>	Savings and credit cooperative organization
<b>SME</b>	Small and medium enterprise
<b>USD</b>	United States Dollar
<b>VC</b>	Venture capital



# GLOSSARY

## Accelerator

Accelerators offer fixed duration business support focused on early-stage enterprises that already have a viable product to promote business growth. They offer integrated financial and non-financial services including business management trainings, mentoring, technical capacity building, business development support and access to investors. Most accelerators are either donor-funded or take on a certain percentage of equity in the businesses supported.

## Business development support

Business development support refers to a range of non-financial support services provided to enterprises, including the provision of information, knowledge, skills and business advice. Business development support providers enable enterprise development by providing services such as business planning, business model development, financial management and logistics. Accelerators and incubators form a subset of business development support.

## Catalytic capital

Catalytic capital comprises debt, equity, guarantees and other investments that accept disproportionate risk or concessionary returns relative to a conventional investment in order to generate positive impact and enable third-party investment that otherwise would not be possible.

## Chama

A Chama is an informal cooperative society or self-help group used to pool money to save and invest. It functions as a micro-savings group whose members contribute an agreed monthly sum to a fixed saving plan. Chama group members contribute money to a common pool and are able to access the money either in full or in part, according to a fixed schedule or as needed.

## Development finance institution

Development finance institutions are government-backed financial institutions that provide finance to the private sector for investments promoting development. Development finance institutions are important actors in the impact investing landscape, providing large amounts of capital both through direct impact investments and through indirect investments, such as to impact investment funds.

For this report, bilateral or multilateral assistance provided directly to governments is not considered an impact investment.

## Ecosystem enabler

Ecosystem enablers or intermediaries are entities in the entrepreneurial ecosystem which facilitate access to resources for entrepreneurs and investors. Ecosystem enablers include networking platforms, industry associations, accelerators, incubators, business development support providers, research and academic institutions and NGOs.

## Gender-focused products and services

Gender-focused products and services is one of the four investment strategies used for gender lens investing. It refers to the investment into businesses that offer products or services that specifically or disproportionately benefit women and girls. Examples of such products and services include clean cook stoves, maternal diagnostics and menstrual hygiene products.

## Gender-inclusive business

Gender-inclusive businesses are defined as businesses that create a positive impact on women and girls by providing them with direct employment, integrating them across the value chain as suppliers and distributors or serving them as the primary customer segment.

## Gender lens investing

Gender lens investing is an approach to investing into companies, organizations and funds that takes into consideration gender-based factors across the investment process to advance gender equality and better inform investment decisions. GLI investments are typically defined by one (or more) of the following investment strategies: (i) women ownership: investing in businesses founded by women or with majority (51%) women ownership, (ii) women leadership: investing in businesses with over 30% women in leadership, or more than 30% women leadership on boards, (iii) workplace equity: investing in businesses employing 30-50% women in the workforce and policies promoting women's quality employment, and (iv) gender-focused products and services: investing in enterprises that offer products or services that specifically or disproportionately benefit women.

### **Incubator**

Incubators offer support to entrepreneurs to refine business ideas and build new companies. They focus on providing business assistance services such as networks and linkages, mentoring and advisory support, co-working spaces and other back-office support. They sometimes offer initial seed funding. Typically, incubator programs are either fee-based or grant-funded, from corporates, donors or others.

### **Microenterprises**

For this research, businesses with annual revenues up to KSH 250,000 (USD 2,500) are termed as microenterprises. These enterprises typically have fewer than 10 employees, are informal in nature and offer products and services primarily catering to local markets.

### **Private impact investors**

Private impact investors comprise a range of investors that channel private capital into impact investments including fund managers, family offices, foundations and pension funds.

### **Savings and credit cooperative organization**

SACCOs are community-based lending programs within which a group of people in a community, typically women, agree to save a certain amount periodically and deposit these savings in a group account. Based on demand, these savings are lent to individual members for a period up to 1 year, after which they need to be repaid. To be eligible for a loan, SACCOs require members (individuals or businesses) to save for up to 6 months before accessing credit and additionally require borrowers to provide guarantors.

### **Small and medium enterprises**

In this research, businesses with annual revenues of more than KSH 250,000 (USD 2,500) are defined as small and medium enterprises. These enterprises have up to 250 employees, mostly operate as formally registered entities and serve domestic and overseas customers.

### **Small ticket size funding**

Ticket size refers to the amount of capital required by or invested into a business. For this research, small ticket size funding refers to ticket sizes of up to USD 200,000.

### **Unintentional gender lens**

An unintentional gender lens refers to investors whose investment mandate does not include a gender focus but have made an investment into an enterprise that positively impacts women and girls as leaders, owners, customers, employees, suppliers or distributors. While there is a positive gender impact, investors do not monitor gender-disaggregated data for such investments.

### **Women leadership**

Women leadership is one of the four investment strategies used for gender lens investing. It indicates that the investee enterprise has over 30% women in leadership or more than 30% women on its board.

### **Women-owned business**

An enterprise that is founded by a woman (or a group of women) or has at least 51% ownership by women is classified as a women-owned business.

### **Women ownership**

Women ownership is one of the four investment strategies used for gender lens investing. It indicates that the investee enterprise is either fully or partially owned by women: the business is either founded by a woman or at least 51% ownership is held by a woman.

### **Workplace equity**

Workplace equity is one of the four investment strategies used for gender lens investing. It focuses on advancing gender equality and increasing women's economic participation by: (i) integrating women as employees across different levels within the organization to maintain gender equity in staffing and leadership, or (ii) integrating a gender lens in organizational policies, recruitment, hiring and professional development practices.



# EXECUTIVE SUMMARY

**Gender lens investing (GLI) is an approach to investing into companies, organizations and funds that takes into consideration gender-based factors across the investment process to advance gender equality and better inform investment decisions.**<sup>1</sup> Although most funds that invest with a gender lens are based in and operate in the Global North, investors operating in developing countries have also started to adopt the practice in recent years, investing in women-owned enterprises and in enterprises that empower women as customers, employees, suppliers or distributors (termed as gender-inclusive businesses). Research demonstrates a strong business case for investing with a gender lens: companies which have women in leadership demonstrate higher share price returns<sup>2</sup>, better attract and retain talent, and are more creative<sup>3</sup>.

**However, the scale of GLI remains small, despite increasing interest in this asset class.**

Women entrepreneurs attract a minority of global investments, receiving 2.3% of global VC funding in 2020.<sup>4</sup> Lack of tailored funding, gender bias from capital providers, inadequate business and technical skills, lack of networks and patriarchal social norms are the key challenges restricting access to finance for women-owned enterprises.<sup>5</sup> Gender-inclusive businesses struggle with limited access to information, lack of investor networks and a limited ability to measure their gender impact.<sup>6</sup>

**In Kenya, women entrepreneurs similarly struggle to access capital.** Most women-owned businesses in Kenya operate informally and struggle to access capital from sources beyond friends and family, microfinance institutions and savings groups (such as Chamas and SACCOs)<sup>7</sup>. Banks and investors often do not view them as potential customers. This is also the case for formal enterprises: although 34% of formal microenterprises in Kenya are women-owned, they account for 76% of the total financing gap for formal microenterprises in the country.<sup>8</sup>

**While progress is slow, multiple interventions by the government, donors and ecosystem support organizations are helping channel capital with a gender lens.** Aspects such as local presence of impact investors, a growing number of women in business, improved educational attainment of women and a growing entrepreneurial support ecosystem have been enabling GLI in Kenya. However, success has been mixed, with existing strategies and interventions being unable to sufficiently serve women-owned and gender-inclusive businesses. There is therefore a need for innovative and disruptive solutions to increase GLI in Kenya.

**This study builds on existing research through consultations with ecosystem stakeholders to identify persistent market gaps and challenges experienced across the GLI ecosystem and potential solutions to address these.**

The key objectives of the research include:

- 01** Understanding the business needs and challenges of women-owned and gender-inclusive microenterprises and small and medium enterprises in Kenya
- 02** Exploring the varying needs of stakeholders to effectively channel capital with a gender lens
- 03** Investigating critical market gaps in the GLI ecosystem
- 04** Identifying GLI opportunities that address the structural challenges faced by women-owned and gender-inclusive businesses

1. As defined by the [Gender Lens Investing Initiative](#), GIIN (Global Impact Investing Network) (Accessed November 2021)

2. Credit Suisse Research Institute, 'The CS Gender 3000 in 2021: Broadening the diversity discussion', *Credit Suisse*, 2021.

3. ILO, 'Women in Business and Management: The business case for change', *ILO*, 2019.

4. A. Bittner and B. Lau, 'Women-Led Startups Received Just 2.3% of VC Funding in 2020', *Harvard Business Review*, 2021 (Accessed November 2021).

5. P. Maheshwari, A. Gokhale, P. Seth, N. Agarwal and A. Makena, 'Mainstreaming GLI: An assessment of women-owned enterprises in developing countries', *IDRC*, 2020.

6. A. Gokhale, N. Agarwal and A. Makena, 'On the potential of GLI to further women's economic and social empowerment', *IDRC*, 2021.

7. Graça Machel Trust, 'Growth Barriers faced by Female Entrepreneurs in East Africa', *Graça Machel Trust*, 2018.

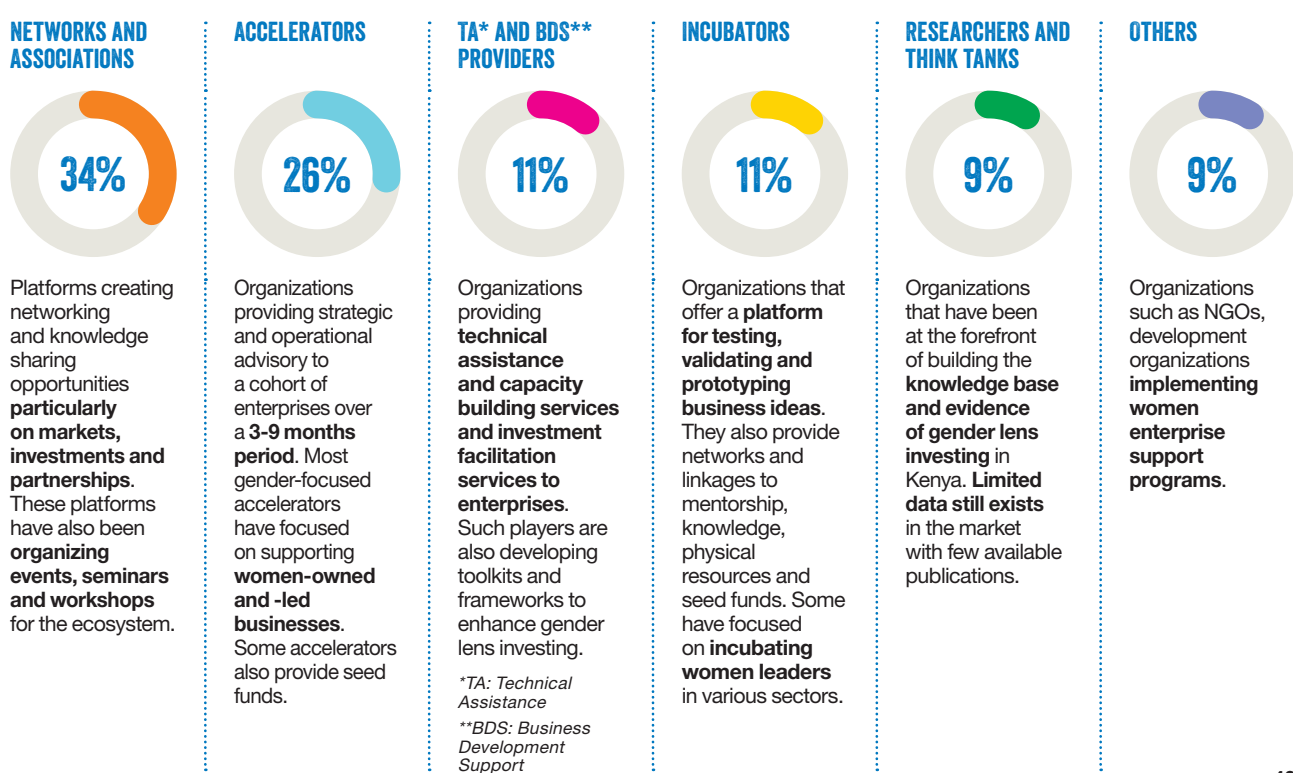
8. World Bank Group, SME Finance Forum and IFC, 'MSME Finance Gap: Assessment of the shortfalls and opportunities in financing micro, small and medium enterprises in emerging markets', *World Bank*, 2017.

**Kenya has witnessed concerted efforts from the public and private sectors, donors and non-governmental organizations towards women entrepreneurship.** These efforts have directly contributed to the growth of women entrepreneurship and the GLI market across Kenya by providing women with financial and non-financial support to build their businesses. In the private sector, banks and corporates are expanding their products and services to increase women's access to financing. Donors also remain central to supporting gender equality and women entrepreneurship in Kenya through funding of programs. Non-governmental organizations have also been at the forefront of advancing women's rights in the country through programs which predominantly target women-owned microenterprises. The Government of Kenya has

also made strong commitments towards women's economic empowerment and gender equality through policies, legal frameworks and direct interventions. However, policies and frameworks promoting and incentivizing impact and gender lens investing in the country remain limited and certain existing policies discourage investment.

**Furthermore, the growth of GLI in Kenya has been supported by over 40 ecosystem enablers working with both the demand and supply sides for GLI.**<sup>9</sup> Ecosystem enablers provide critical non-financial support to investors and businesses to build capabilities and increase the effectiveness of the flow of gender lens capital. The support provided by these organizations ranges considerably from networking to hands-on business support and is delivered by a variety of actors, including NGOs, non-profit organizations and consultancies.

**FIGURE 1: OVERVIEW OF GLI ECOSYSTEM ENABLERS IN KENYA**



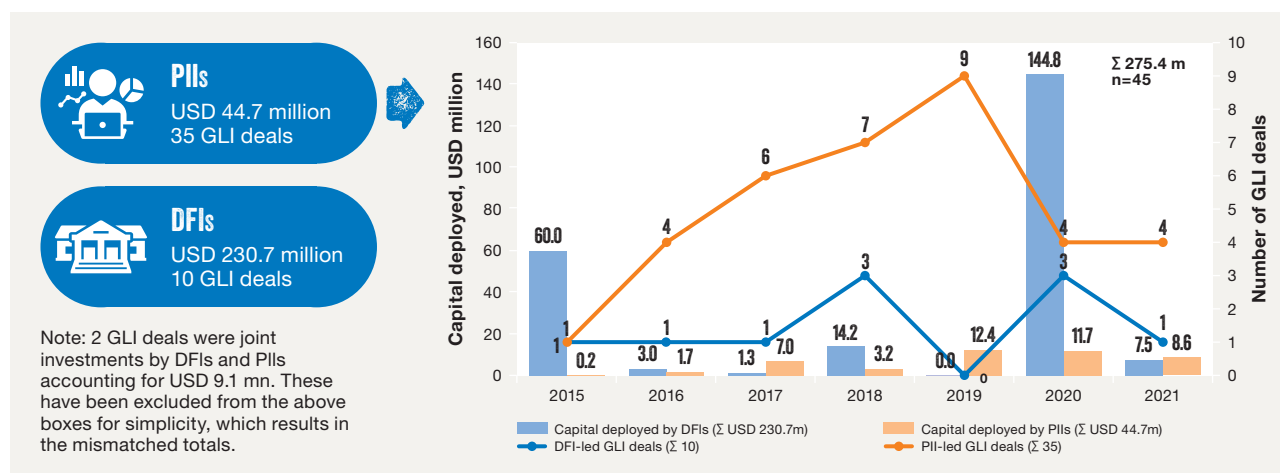
*Note: The percentages indicated in the Figure represent the share of GLI ecosystem enablers in that category.*

9. This research identified 40 ecosystem intermediaries active in Kenya.

**Kenya is the financial and economic capital of East Africa and the leading destination for impact investments in the region.** According to Project SAGE 4.0, more than 30% of the 206 global funds investing with a gender lens focus on Sub-Saharan Africa as the target investment geography,<sup>10</sup> and Kenya has historically represented almost half of the impact capital disbursed in the region.<sup>11</sup> Over the last 5 years, gender lens investing has been growing in Kenya.<sup>12</sup> Since 2015,

USD 284.5 million was deployed in Kenya through 47 deals with an explicit gender lens, with increased investments from private impact investors (PIIs). 74% of GLI deals were made by PIIs who deployed USD 44.7 million across 35 GLI deals. Development finance institutions (DFIs), on the other hand, invested in only 10 GLI deals but accounted for 81% (USD 230.7 million) of the GLI capital deployed in Kenya owing to the large ticket size of investments.

**FIGURE 2: GENDER LENS INVESTMENTS IN KENYA, 2015-2021**

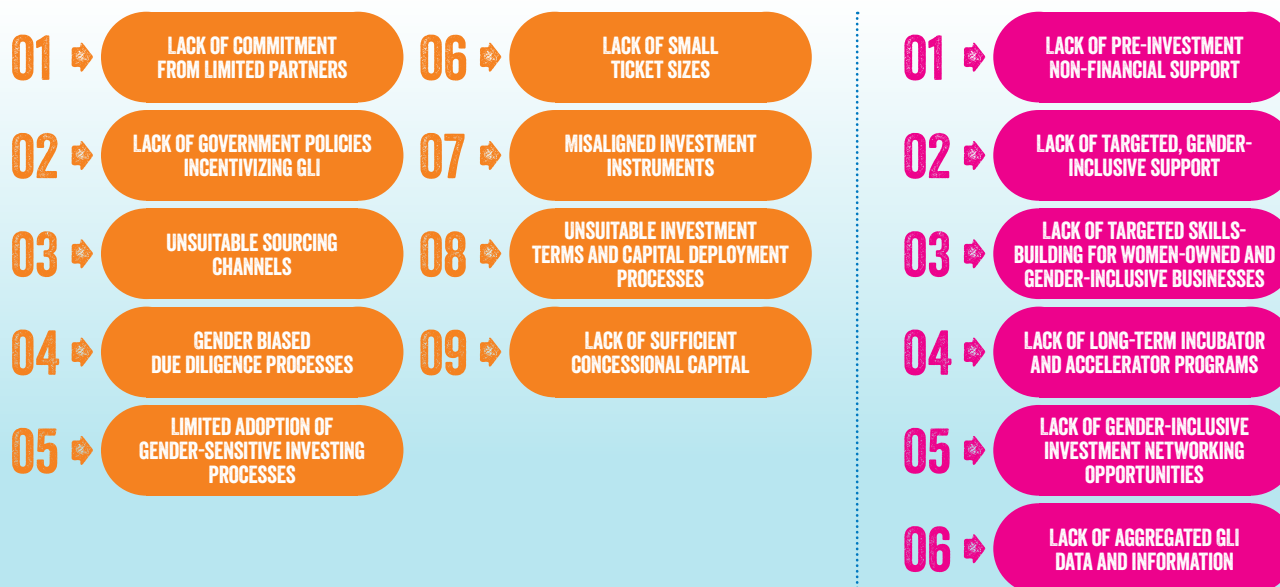


*Note: Since the study was undertaken in 2021, the database captures deal information until June 2021.*

**Despite GLI gaining momentum in Kenya, the market continues to experience gaps which restrict women-owned and gender-inclusive businesses' lack of access to required financial and non-financial support.**

This research outlines the key market gaps in capital supply and in the support ecosystem for GLI, using evidence from both primary and secondary research. These gaps are summarized in Figure 3.

**FIGURE 3: SUMMARY OF GLI MARKET GAPS**



10. S. Biegel, M. Brown and S. Hunt, 'Project SAGE 4.0: Tracking Venture Capital, Private Equity, and Private Debt with a Gender Lens', *Catalyst at Large and Wharton Social Impact Initiative*, 2021.

11. GIIN and Open Capital Advisors, 'The Landscape of Impact Investing in East Africa', *GIIN, Open Capital Advisors and the UKaid Impact Programme*, 2015.

12. The database of GLI deals in Kenya created for the purpose of this study considered gender lens investments made by impact investors. Hence, for the supply-side analysis of GLI in Kenya, gender lens investing forms a subset of impact investing.

**The report identified potential opportunities for existing and new players in the gender lens investing market in Kenya.**

The identified areas span across supply, demand and ecosystem support needs, and include financial and non-financial recommendations. These recommended interventions seek to fulfill the market gaps previously identified.

**TABLE 1: SUMMARY OF MARKET OPPORTUNITIES AND RECOMMENDATIONS FOR GLI**

#	MARKET GAP	DESCRIPTION	RECOMMENDATIONS
01	<b>Lack of commitment from Limited Partners (LPs)</b>	Funds' investment and impact theses are mandated by LP objectives and return expectations. Lack of commitment among LPs to invest with a gender lens therefore reduces investors' adoption of GLI strategies. The GLI ecosystem is heavily influenced by public policies, which can discourage or incentivize GLI practice by investors and funds.	<ul style="list-style-type: none"> <li>01 Advocate for policies that incentivize capital allocation for GLI</li> <li>02 Develop gender-based incentive structures to increase the intentionality of Limited Partners' and General Partners' gender impact</li> </ul>
02	<b>Limited adoption of gender-sensitive investing processes</b>	Capital providers often deploy standardized processes which can be gender-blind and unsuitable for women-owned and gender-inclusive businesses. Tools and approaches exist which can aid capital providers to be more gender aware, however adoption of such tools is low. Capital providers have limited knowledge, capacity and willingness to adopt evaluation tools, frameworks and best practices to channel capital to women-owned and gender-inclusive businesses. Investors often need support to operationalize gender lens strategies which would enable them to move from intention to action on GLI.	<ul style="list-style-type: none"> <li>03 Develop and implement innovative due diligence and credit assessment tools and processes to reduce unconscious gender bias</li> <li>04 Institute technical assistance programs for investors to enable them to move from intention to action on GLI</li> <li>05 Develop and deliver a GLI fellowship program for fund managers</li> <li>06 Increase the number of female fund managers through gender-inclusive fund management networks</li> </ul>
03	<b>Lack of small ticket offerings</b>	The ticket sizes that investors deploy are often unsuitable for women-owned and gender-inclusive businesses. Small ticket deals are financially unviable for many investors due to the high transaction costs per investment and challenges in structuring deals at scale. However, most women-owned businesses require smaller ticket sizes than those currently available in the market to grow their businesses. This 'missing middle' in financing has resulted in a significant unfulfilled need for small ticket GLI capital.	<ul style="list-style-type: none"> <li>07 Establish a dedicated small ticket fund to invest in women-owned and gender-inclusive businesses</li> <li>08 Partner with financial technology companies to lower deal costs</li> </ul>

#	MARKET GAP	DESCRIPTION	RECOMMENDATIONS
04	<b>Misaligned investment instruments and terms</b>	<p>The structure of investment instruments is often misaligned to the needs of women-owned and gender-inclusive businesses. Debt is often unavailable to women entrepreneurs due to collateral requirements which demand asset ownership that women are less likely to have. Women entrepreneurs are also less inclined to take on equity due to fear of losing control and challenges in matching self-contribution requirements.</p> <p>In addition, capital allocators' terms and deployment processes often fail to meet women-owned businesses' requirements which excludes them from accessing finance. Convenience, speed of conversion and simplified documentation are critical for women entrepreneurs. Women entrepreneurs also prefer ongoing relationships with their capital providers. Many capital providers, however, focus on quick repayment or exits rather than managing long-term customer relationships.</p>	<p>09 Design uncollateralized instruments to make debt more accessible for women entrepreneurs</p> <p>10 Design alternative risk capital instruments</p> <p>11 Design instruments and terms based on women entrepreneurs' specific needs and preferences</p>
05	<b>Lack of sufficient concessional capital for GLI</b>	<p>Concessional capital plays a critical role in seeding, scaling and sustaining women-owned businesses as it can be used to lower transaction costs, structure more innovative instruments, provide non-financial support and offset the perceived risk of investing in women. Despite increasing interest in GLI, capital providers often lack access to appropriate sources of concessional capital. This deters them from taking a long-term, impact-focused approach and results in capital providers seeking shorter term, higher return investments.</p>	<p>12 Advocate for more concessional financing for gender lens investing</p> <p>13 Structure blended capital vehicles to enable more flexible or concessionary instruments for women-owned and gender-inclusive businesses</p>
06	<b>Lack of pre-investment non-financial support</b>	<p>Women-owned and gender-inclusive businesses have limited access to pre-investment non-financial support. This presents a need for targeted business support for women looking to start or sustain a business and ensure they reach investment readiness.</p>	<p>14 Create gender-inclusive capacity building programs that prepare women-owned and gender-inclusive businesses to achieve investment readiness</p>



#	MARKET GAP	DESCRIPTION	RECOMMENDATIONS
07	<b>Lack of gender-inclusive business support</b>	There is a limited understanding of the specific and differentiated support needs of women-owned and gender-inclusive businesses. These businesses could significantly benefit from targeted sector-specific support in developing business models, accessing market information, mainstreaming gender across the business value chain and marketing products to target customer segments.	<ul style="list-style-type: none"> <li>15 Launch sector-specific GLI business support programs targeting women-owned enterprises and gender-inclusive businesses</li> <li>16 Build advisory support for enterprises to monitor and identify areas of gender impact across their value chains</li> <li>17 Provide ecosystem support organizations with results-based financing linked to the achievement of gender-related milestones</li> </ul>
08	<b>Lack of targeted skills-building for women-owned and gender-inclusive businesses</b>	The support ecosystem is failing to build targeted skills of women-owned and gender-inclusive businesses. Women entrepreneurs would particularly benefit from core skills training and support in building their human resource capacity.	<ul style="list-style-type: none"> <li>18 Incorporate core skills training into business support programs</li> <li>19 Establish secondment arrangements with corporates and investors</li> <li>20 Develop specialized talent acquisition services for early-stage businesses</li> </ul>
09	<b>Unsuitable sourcing channels and lack of gender-inclusive investment networking opportunities</b>	While peer and ecosystem networks exist across Kenya, there continues to be a lack of gender-inclusive investment networking opportunities. Traditional business networking often excludes women from participating and benefitting. Women entrepreneurs need inclusive and accessible networks to connect with investors, peer groups and ecosystem support organizations.	<ul style="list-style-type: none"> <li>21 Develop investor networking facilitation for actors deploying GLI strategies</li> <li>22 Develop GLI-specific mentoring and peer networks</li> </ul>
10	<b>Lack of aggregated GLI data and information</b>	Data and information on the financial and impact performance of gender lens investments and programs in Kenya is currently highly fragmented, which weakens evidence promoting the business case for investing with a gender lens. Ecosystem stakeholders including investors, business support providers, research organizations and evaluation professionals need to engage in centralized data collection and build a more context-specific business case for the growth of GLI in Kenya.	<ul style="list-style-type: none"> <li>23 Collect and track long-term performance data of women-owned and gender-inclusive businesses</li> <li>24 Develop a knowledge hub for GLI information and resources</li> <li>25 Develop a deal sharing platform that aggregates data on GLI deals</li> </ul>

# CHAPTER 1

# INTRODUCTION



# BACKGROUND TO GENDER LENS INVESTING

**Gender lens investing (GLI) is an approach to investing into companies, organizations and funds that takes into consideration gender-based factors across the investment process to advance gender equality and better inform investment decisions.<sup>13</sup>**

The 2X Challenge outlines four criteria that define GLI:

- 01** Investing in businesses founded by women or with majority (51%) women ownership
- 02** Investing in businesses with over 30% women in leadership, or more than 30% women on boards
- 03** Investing in businesses employing 30-50% women in the workforce and policies promoting women's quality employment
- 04** Investing in enterprises that offer products or services that specifically or disproportionately benefit women

In addition, the 2X Challenge highlights that investments through financial intermediaries may be categorized as GLI when 30% of either the loan proceeds or portfolio companies meet one or more of the above criteria.<sup>14</sup>

## Research demonstrates a strong business and economic case for investing with a gender lens.

A 2021 Credit Suisse global study revealed that companies with over 20% women in management positions and above 25% women on boards show higher share price returns than companies with less gender diverse leadership.<sup>15</sup> In Africa, companies with an above average number of women in leadership were reportedly better able to attract and retain talent and achieve greater creativity, innovation and openness, as well as an enhanced corporate reputation.<sup>16</sup> Another study of 22,000 publicly traded companies found that an increase in women in leadership from 0% to 30% is associated with a 15% increase in profitability.<sup>17</sup> Furthermore, studies show that start-ups founded or co-founded by women performed better over time, generating 10% higher cumulative revenue over a five year period.<sup>18</sup> Additionally, analysis by the Boston Consulting Group indicates that female-founded businesses deliver higher revenues, more than 2 times as much per dollar invested, than those founded by men.<sup>19</sup>

## The concept of investing with a gender lens has garnered increasing interest over recent years.

Ever since research and framework development for the concept was pioneered by thought leaders such as the Criterion Institute<sup>20</sup> and Catalyst at Large<sup>21</sup>, it has received significant attention from other development sector and financial actors with much subsequent local and global research. A 2021 study estimates that globally there exist 206 funds that deploy capital with a gender lens, an increase from 58 funds in 2017.<sup>22</sup> The total capital raised by these funds is USD 4.8 billion. The study also reveals that GLI activity has been shifting away from the Global North: only 38% of the GLI funds targeted North America in 2020, compared to 80% in 2017.<sup>23</sup> Sub-Saharan Africa is the second largest target geography for investment: 26% of the funds assessed aimed to invest in the region. Despite growth in this asset class, women-owned and gender-inclusive businesses continue to attract only a minor share of global investments, receiving just 2.3% of global VC funding in 2020.<sup>24</sup>

13. As defined by the [Gender Lens Investing Initiative](#), GIIN (Global Impact Investing Network) (Accessed November 2021).

14. As defined by the [2X Criteria](#), 2X Challenge (Accessed February 2022).

15. Credit Suisse Research Institute, 'The CS Gender 3000 in 2021: Broadening the diversity discussion', *Credit Suisse*, 2021.

16. ILO, 'Women in Business and Management: The business case for change', *ILO*, 2019.

17. J. Sachs, 'If Investors Really Listened To Data, They'd Be Investing In Women', *Fast Company*, 2018 (Accessed November 2021).

18. S. Unnikrishnan and R. Hanna, 'The Trillion-Dollar Opportunity in Supporting Female Entrepreneurs', *Harvard Business Review*, 2019 (Accessed November 2021).

19. A. Kapin, '10 Stats that Build the Case for Investing in Women-Led Startups', *Forbes*, 2019 (Accessed November 2021).

20. [Criterion Institute](#) is a non-profit think tank that works with social change-makers to demystify finance and broaden their perspective on how to engage with and shift financial systems. One of the key focus areas is to break past bias in investment and address gender-based violence through financial systems.

21. [Catalyst at Large](#) provides consultancy and facilitation support in the arena of gender lens investing, working at the intersection of investment, philanthropy, international development and entrepreneurship to amplify the role of women in impact investing and investing with a gender lens.

22. S. Biegel, M. Brown and S. Hunt, 'Project SAGE 4.0: Tracking Venture Capital, Private Equity, and Private Debt with a Gender Lens', *Catalyst at Large and Wharton Social Impact Initiative*, 2021.

23. S. Biegel, M. Brown and S. Hunt, 'Project SAGE 4.0: Tracking Venture Capital, Private Equity, and Private Debt with a Gender Lens', *Catalyst at Large and Wharton Social Impact Initiative*, 2021.

24. A. Bittner and B. Lau, 'Women-Led Startups Received Just 2.3% of VC Funding in 2020', *Harvard Business Review*, 2021 (Accessed November 2021).





A 21-year-old has started her own tailoring business after taking part in the Yes I Do project

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## RESEARCH OBJECTIVES: THE NEED FOR DISRUPTION

**Women entrepreneurs face multiple financial and non-financial challenges,** many of which are linked to their socio-cultural environment. Insufficient access to finance is the primary challenge, however non-financial barriers such as inadequate technical and business skills, inadequate networking opportunities and limited information about markets also hinder their business growth.<sup>25</sup>

**Lack of access to finance is the leading reason that women-owned businesses are unable to grow;** a global phenomenon that is similarly true for Kenya. This insufficient access is often due to a lack of tailored and gender conscious financial products and processes that are suitable for women entrepreneurs. Most women-owned businesses operate informally, and banks and investors do not consider them as potential customers. This is similarly the case for formal enterprises: while 34% of formal microenterprises in Kenya are women-owned, they account for 76% of the total financing gap for formal microenterprises in the country.<sup>26</sup> As collateral is a key requirement for commercial loans, women's lack of assets further excludes them as borrowers.<sup>27</sup> Despite multiple research reports establishing that the non-performing loan ratio for women-owned SMEs is lower (3.6%) than that for the total SME loan portfolio (4.5%), women-owned SMEs account for only 16% of all SME loans in Kenya.<sup>28</sup> Additionally, gender biases and gender norms permeate the financial sector, impacting women's access to finance. Most investment committee members and

banking officers are men, exacerbating unconscious bias against women entrepreneurs and increasing hesitancy among women entrepreneurs in approaching investors or banks.

**There has been increasing focus on GLI in East Africa and particularly in Kenya, which is considered to be the entrepreneurial hub of the region.** Kenya has witnessed increased deployment of capital with a gender lens over the years. From 2015 to June 2021, USD 284.5 million was deployed in Kenya across 47 deals with an explicit gender lens.<sup>29</sup> This was driven by increased awareness about GLI among investors, as well as interventions from the government, donors and ecosystem support organizations. Many funds have increased capital allocation towards women-owned and gender-inclusive businesses.

**There has also been an increase in incubation and acceleration programs targeting women-owned and gender-inclusive enterprises in Kenya.** The Kenyan government has also launched initiatives and policies to support inclusive businesses, such as the Uwezo Fund which seeks to expand access to finance, mentorship and market linkages for enterprises owned by women, youth and persons living with disabilities. The government has also mandated that women and youth receive 30% of all government procurement partnerships to support the growth of women-owned SMEs.

**Despite the various interventions aiming to reduce the gender imbalance in business financing, success has been mixed.** Women-owned and gender-inclusive businesses in Kenya continue to face persistent challenges in accessing capital. Lack of collateral, insufficient financial records, use of traditional credit assessment processes, extensive documentation to apply for financing and lack of funds offering small ticket size funding are among the factors which continue to exclude women entrepreneurs from formal financing. We are witnessing some shifts, however. Banks such as Kenya Commercial Bank have devised credit offerings for women with more accessible collateral requirements, lower transaction fees and contextual credit assessment and lending, along with the provision of non-financial support. However, more needs to be done to enhance access to capital and business support and address the systemic challenges faced by women-owned and gender-inclusive businesses in Kenya.

25. P. Maheshwari, A. Gokhale, P. Seth, N. Agarwal and A. Makena, 'Mainstreaming GLI: An assessment of women-owned enterprises in developing countries', *IDRC*, 2020.

26. World Bank Group, SME Finance Forum and IFC, 'MSME Finance Gap: Assessment of the shortfalls and opportunities in financing micro, small and medium enterprises in emerging markets', *World Bank*, 2017.

27. L. Moodley, M. Kuyoro, T. Holt, A. Leke, A. Madgavkar, M. Krishnan and F. Akintayo, 'The Power of Parity: Advancing Women's equality in Africa', *McKinsey Global Institute*, 2019.

28. IFC, 'Banking on Women: Business Case Update #2: Lower NPLs for Women-Led SMEs', *IFC*, 2019 (Accessed December 2021).

29. Findings based on the GLI and impact deal database developed by Intelicap for this study. More details on the database have been outlined in the methodology section.

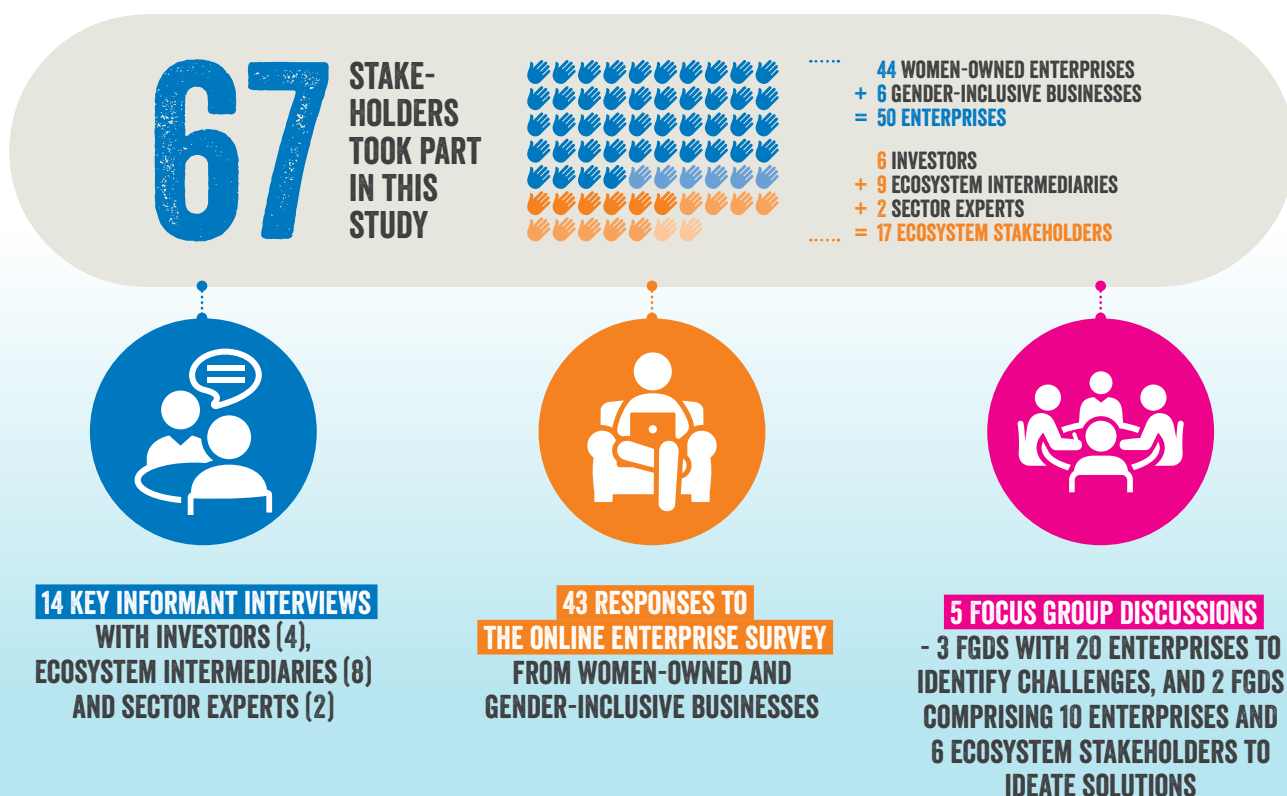
Given that existing interventions and strategies are unable to sufficiently address the gaps in the GLI market, there is a need to design and implement disruptive solutions to promote GLI in Kenya. This study builds on existing secondary research through consultations with ecosystem stakeholders including women entrepreneurs, investors and intermediaries to identify persistent market gaps and challenges experienced across the GLI ecosystem, as well as potential solutions to address these. The key objectives of the research include:

- 01 Understanding the business needs and challenges of women-owned and gender-inclusive microenterprises and small and medium enterprises (SMEs) in Kenya
- 02 Exploring the varying needs of stakeholders to effectively channel capital with a gender lens
- 03 Investigating critical market gaps in the GLI ecosystem
- 04 Identifying GLI opportunities that address the structural challenges faced by women-owned and gender-inclusive businesses

## RESEARCH METHODOLOGY

This study adopted a mixed methods approach relying on both primary and secondary research. An extensive literature review was conducted to identify research gaps and to define the research objectives for the primary research. The primary research gathered insights via interviews with GLI investors and intermediaries and sector experts, an online survey with women-owned and gender-inclusive businesses located in different counties across Kenya and focus group discussions (FGDs) with a range of ecosystem players.

FIGURE 4: OVERVIEW OF THE PRIMARY RESEARCH METHODOLOGY





The following methodologies were adopted for this study:

## A Literature review

The literature review was undertaken using multiple secondary sources:

- (i) practitioner reports and publications, including country level reports on women entrepreneurship, impact investing and the role of GLI in women's empowerment;
- (ii) news articles that outlined country-level policies enabling finance for women-owned businesses, public and private interventions to support women-owned enterprises in the country and growth of GLI in Kenya; and
- (iii) country-level statistics on the gender gap from the Kenya National Bureau of Statistics.

These insights helped shape the key research questions and hypotheses for the primary interviews.

To build on this secondary data, the team developed a deal database of impact and GLI deals in Kenya between 2015 and June 2021. The database identified 182 impact deals in the country totaling USD 2.43 billion of investments, of which 47 deals (USD 284.5 million) were made with a gender lens.

The deal information was collated from multiple sources such as the official websites of private impact investors (PIIs)<sup>30</sup> and development finance institutions (DFIs)<sup>31</sup>, deal aggregation platforms and news articles. In addition, information about the gender lens strategy deployed for individual deals was gathered from investee websites and other secondary sources.

Secondary research also assisted the team in developing a segmented database of the various ecosystem players active in Kenya: investors, women-owned and gender-inclusive businesses, enterprise support organizations and others.

## B Enterprise survey

Based on the secondary research, an online survey was developed which received responses from women-owned and gender-inclusive businesses. A total of 43 responses were received. The survey focused on collecting information about the entrepreneur and their business, current level of access to finance and business support, and financial and non-financial needs and challenges.

## C Primary interviews

In addition to conducting the enterprise survey, 14 stakeholders across the GLI ecosystem were interviewed to understand the landscape of gender lens investing in Kenya, details about the women entrepreneurs that they are currently working with, and future strategies for growth of GLI. Stakeholders included 4 gender lens investors, 8 ecosystem intermediaries and 2 sector experts.

## D Focus group discussions

The team conducted a total of 5 FGDs with enterprises and ecosystem stakeholders to understand their challenges and explore potential solutions to address these. 3 FGDs were conducted with 20 women-owned and gender-inclusive businesses to further understand the challenges identified from the survey, including gendered barriers faced, challenges in accessing capital and required trainings or skills. Subsequently, 2 additional FGDs were conducted comprising 10 businesses and 6 stakeholders (investors and intermediaries). These discussions focused on identifying key financial and non-financial solutions needed by the sector in Kenya.

These interactions enabled the team to understand the end-to-end market gaps and opportunities faced by entrepreneurs, investors and intermediaries and test potential solutions to disrupt and grow the GLI market in Kenya.

30. PIIs encompass a range of investor types including fund managers, family offices, foundations, pension funds and others that channel private capital into impact investments.  
 31. DFIs are government-backed financial institutions that provide finance to the private sector for investments promoting development. For the purposes of this report, bilateral or multilateral assistance provided directly to governments is not considered an impact investment.



## CHAPTER 2

# WOMEN ENTREPRENEURSHIP IN KENYA

*An Kenyan artist who makes a living from painting.*

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# OVERVIEW OF WOMEN ENTREPRENEURSHIP IN KENYA

**Women entrepreneurship, a key driver of GLI, has been growing in Kenya due to improved educational attainment and technology adoption.**

Research suggests a strong correlation between education and entrepreneurship, with education providing key entrepreneurship skills such as business establishment, decision making and pipeline development.<sup>32</sup> Increased enrolment in tertiary education for women (3% in 2015 to 10% in 2021) and improved overall educational attainment (75% in 2015<sup>33</sup> to 78% in 2021)<sup>34</sup> have enabled more women to start and manage their own ventures. Research indicates that almost 70% of all new businesses in Kenya are started by women.<sup>35</sup> Furthermore, adoption of digital solutions by women entrepreneurs across sectors is helping their businesses scale, resulting in a growing pipeline of investible women-owned businesses. The growing use of mobile money among women in Kenya has also enabled them to establish businesses. Research estimated that approximately 185,000 women moved from agricultural activities to operating small-scale retail outlets as a result of access to M-PESA, a mobile phone-based money transfer service used for mobile payments.<sup>36</sup> In addition, the use of technological tools, such as digital marketing platforms, social media and ecommerce channels, has supported the survival and expansion of many women-led businesses in Kenya.<sup>37</sup> During the pandemic, these digital solutions also enabled entrepreneurs to establish distribution partnerships, access business trainings and raise capital.<sup>38</sup>

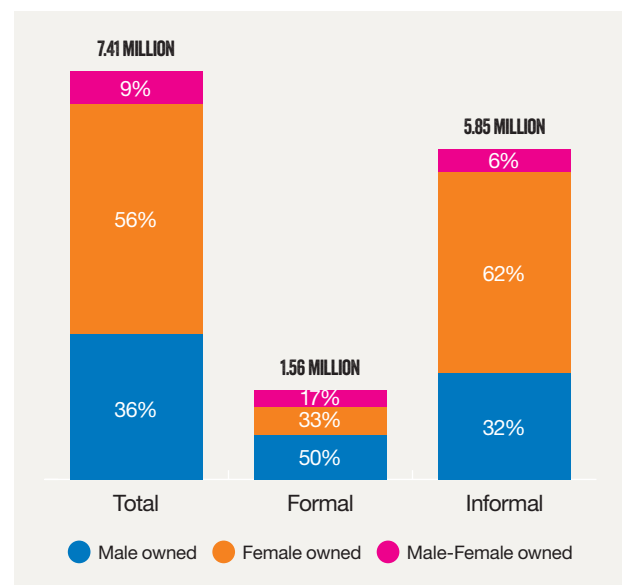
**Women-owned businesses in Kenya contribute significantly to national GDP, employment generation and livelihoods.** There are approximately 1.56 million licensed and 5.85 million unlicensed micro, small and medium sized enterprises (MSMEs) operating in the country providing up to 85% of

employment and contributing 30% of GDP. While women-owned businesses account for 56% of all MSMEs, women-owned MSMEs represent a higher share of informal MSMEs (62%) than formal MSMEs (34%).<sup>40</sup> Figure 5 further outlines the distribution of formal and informal MSMEs in the country by gender.

**Despite their potential, women-owned businesses struggle to grow and scale and often remain as micro and sustenance businesses.**

Inadequate access to finance, limited market linkages, insufficient business support and lack of relevant networks limit the growth potential of women-owned businesses. This is further compounded by factors such as time poverty resulting from disproportionate domestic responsibility. As most women-owned businesses in Kenya comprise informal sustenance businesses they lack access to finance because banks and investors do not consider informal businesses as potential customers. This is also the case for formal businesses: while 34% of formal microenterprises in Kenya are women-owned, they account for 76% of the total financing gap for formal microenterprises in the country.<sup>41</sup>

**FIGURE 5: DISTRIBUTION OF MSMEs IN KENYA BY GENDER<sup>42</sup>**



32. R. Urganova, 'Female Education and Entrepreneurship as Drivers of Economic Development: How the Right to Education Can Enhance Female Entrepreneurship and Contribute to Economic Growth', *Tilburg University*, 2016.

33. World Economic Forum, 'Global Gender Gap Report 2015: Insight Report', *World Economic Forum*, 2015.

34. World Economic Forum, 'Global Gender Gap Report 2021: Insight Report', *World Economic Forum*, 2021.

35. P. Muthathai, 'Factors influencing the growth of women owned businesses in Kenya', *United States International University - Africa*, 2017.

36. N. Parekh and A. Hare, 'The rise of mobile money in sub-Saharan Africa: Has this digital technology lived up to its promises?', *Abdul Latif Jameel Poverty Action Lab*, 2020 (Accessed November 2021).

37. C. Ukpere, A. Slabbert and W. Ukpere, 'The Relevance of Modern Technology Usage on the Business Ventures of Kenyan Women Entrepreneurs', *Mediterranean Journal of Social Sciences*, 2014.

38. TechnoServe, 'Digital Solutions Help Kenyan Entrepreneurs Survive and Thrive', *TechnoServe*, 2021 (Accessed November 2021).

39. Z. Mwangi, 'National Micro, Small and Medium Establishment (MSME) Survey', *Kenya National Bureau of Statistics*, 2016.

40. Z. Mwangi, 'National Micro, Small and Medium Establishment (MSME) Survey', *Kenya National Bureau of Statistics*, 2016.

41. World Bank Group, SME Finance Forum and IFC, 'MSME Finance Gap: Assessment of the shortfalls and opportunities in financing micro, small and medium enterprises in emerging markets', *World Bank*, 2017.

42. Z. Mwangi, 'National Micro, Small and Medium Establishment (MSME) Survey', *Kenya National Bureau of Statistics*, 2016.

A 24-year-old woman, is learning sewing skills during vocational training course in Kenya.

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## THE NEEDS OF WOMEN ENTREPRENEURS

This study examined the needs of women-owned and gender-inclusive businesses through primary and secondary research. The primary research included data collected via an online survey, one-to-one interviews and focus group discussions (FGDs) with entrepreneurs in Kenya. This chapter presents an overview of the findings from the survey and FGDs, including the businesses' current and potential financial and non-financial support needs, the relevance and efficacy of existing interventions and challenges faced in growing their businesses.

The survey received 43 responses from women-owned and gender-inclusive businesses of various sizes. For analysis, businesses have been segmented into microenterprises and small and medium enterprises (SMEs) based on their revenues, as shown in Figure 6. Microenterprises were categorized as those with annual revenues of up to KSH 250,000 (USD 2,500) while SMEs are those reporting annual revenues of more than KSH 250,000 (USD 2,500).

**FIGURE 6: DISTRIBUTION OF SURVEYED BUSINESSES ACROSS MICRO AND SME SEGMENTS**

**43** RESPONSES COLLECTED FROM WOMEN-OWNED AND GENDER-INCLUSIVE BUSINESSES

### MICROENTERPRISES

BUSINESSES WITH ANNUAL REVENUES  
LESS THAN KSH 250,000

**44%**

OF RESPONDENTS WERE  
MICROENTERPRISES

### SMEs

BUSINESSES WITH ANNUAL REVENUES  
OVER KSH 250,000

**56%**

OF RESPONDENTS  
WERE SMEs

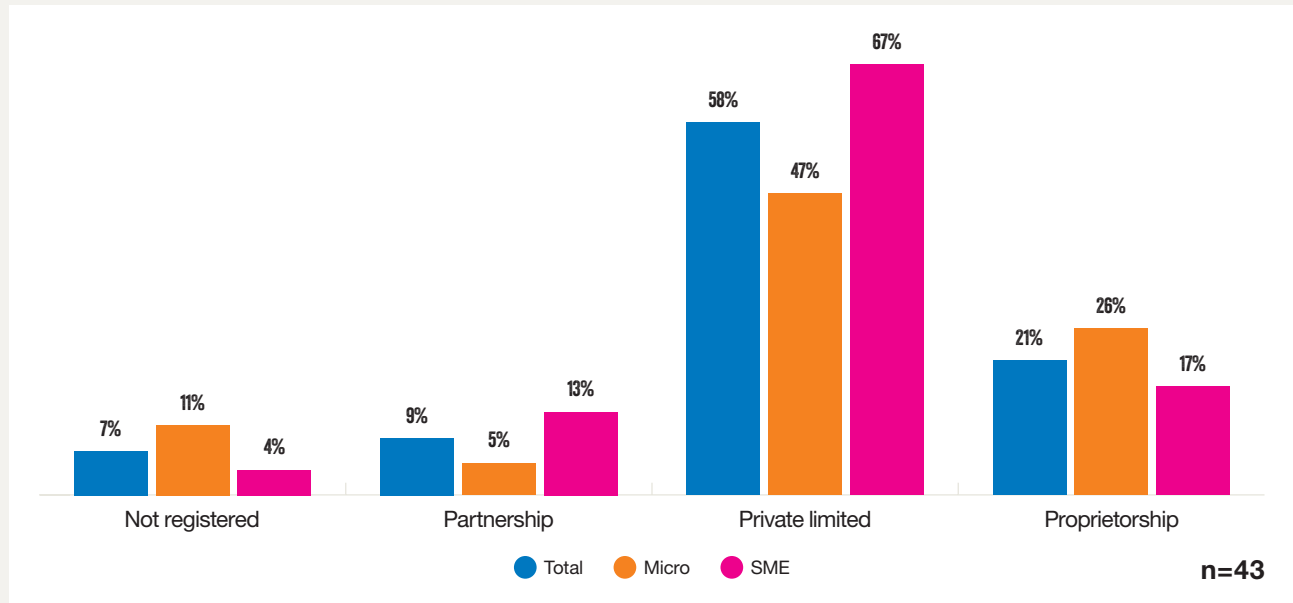
*Note: The quantitative analysis provided in this section is based on responses received from the survey and does not reflect the national landscape of women-owned businesses in the country.*

## OVERVIEW OF SURVEY DEMOGRAPHICS

**Legal Structure and Vintage:** Most of the businesses surveyed were registered. 58% of the survey respondents were registered as private limited

companies and 40% of these were established in the last three years. Proprietorship was the second highest legal structure, accounting for 21% of respondents.

**FIGURE 7: LEGAL STRUCTURE OF SURVEY RESPONDENTS**



**Financial performance:** 56% of the businesses surveyed were SMEs. Annual revenues varied across the SMEs surveyed between KSH 0.25 million (USD 2,500) to more than KSH 5 million (USD 50,000), with the largest share (33%) of the SMEs generating annual revenues of between KSH 0.5– 2.5 million

(USD 5000-25,000). 42% of the micro enterprises were not generating revenue. Profitability ranged across both microenterprises and SMEs, however most businesses (67% of microenterprises and 58% of SMEs) were profitable. Only SMEs reported profitability levels of more than 20%.

**FIGURE 8: ANNUAL REVENUES OF SURVEY RESPONDENTS**

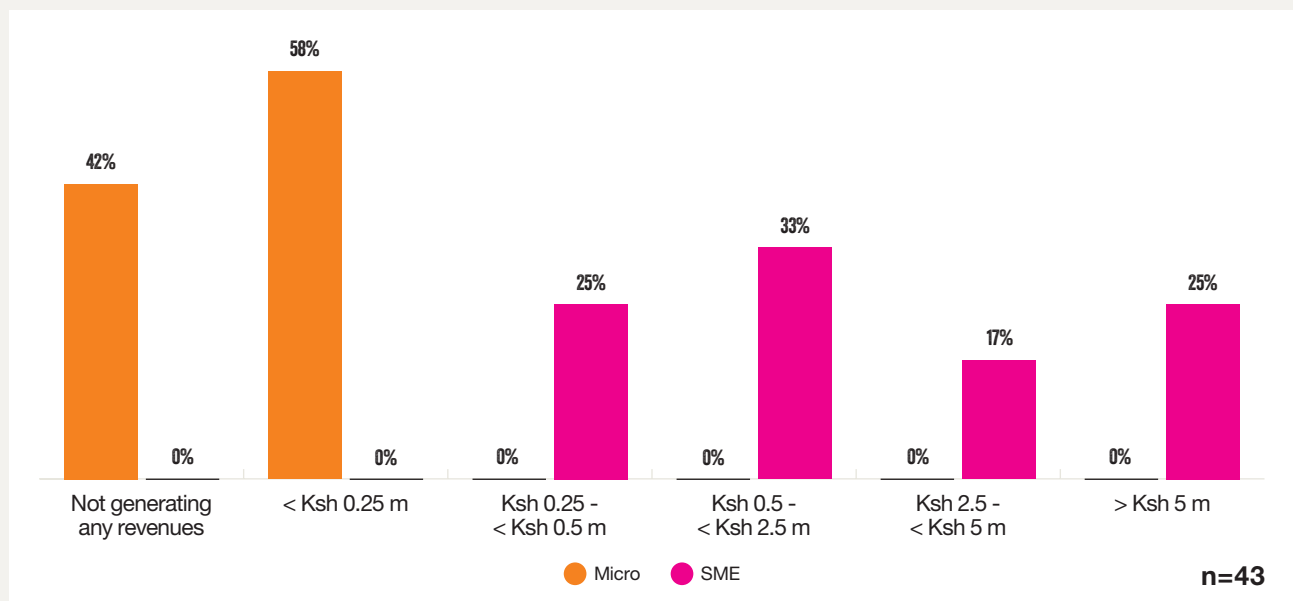
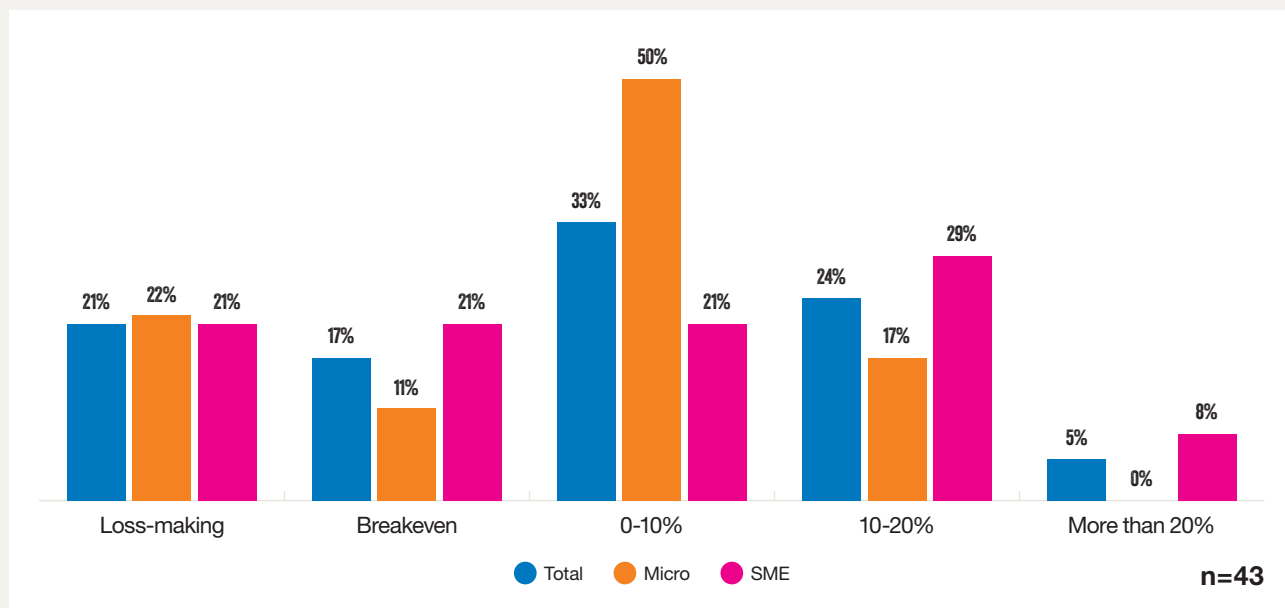


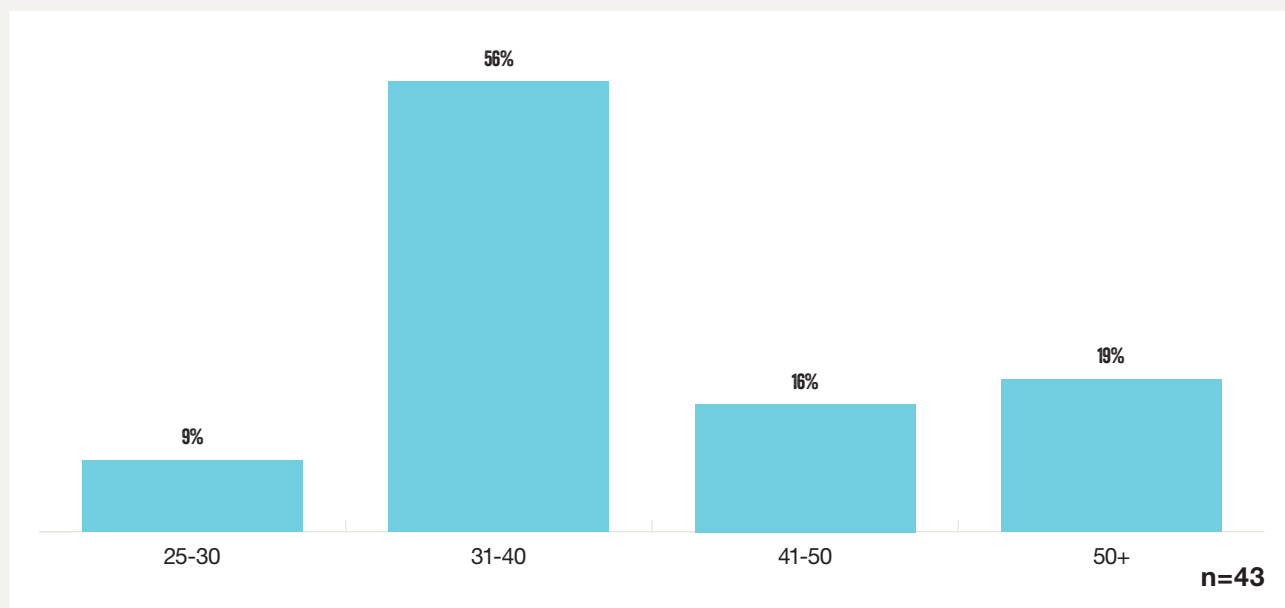


FIGURE 9: ANNUAL PROFITABILITY OF SURVEY RESPONDENTS



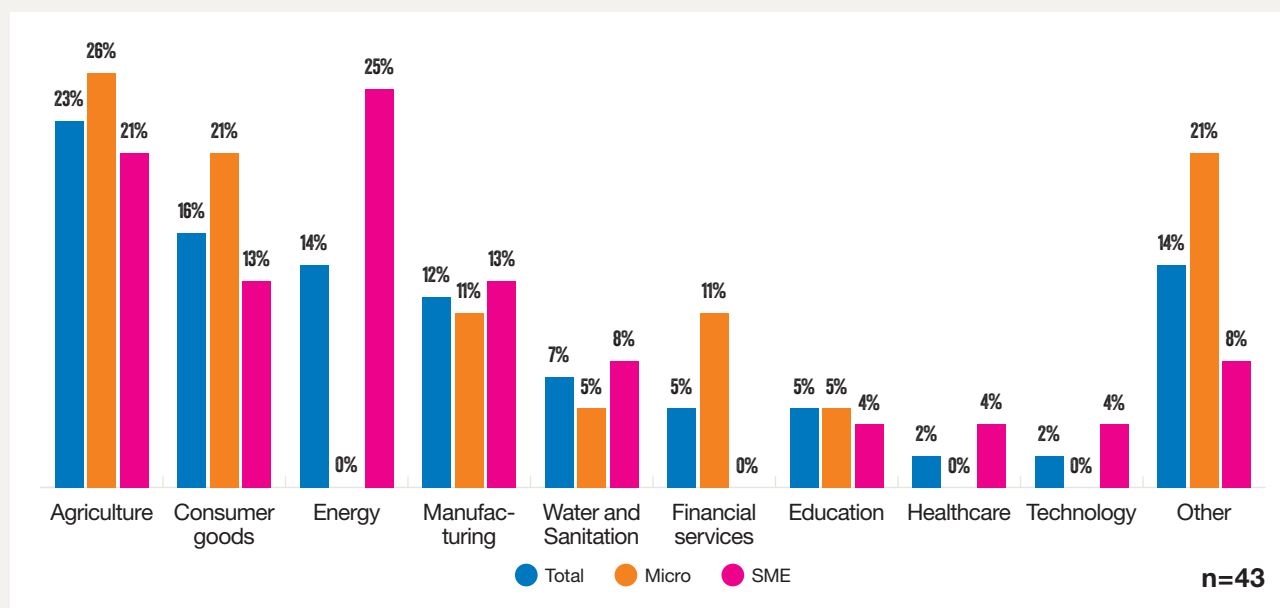
**Entrepreneur demographics:** 56% of the respondents were aged between 31 to 40 years. There were no significant differences in age group observed across microenterprises and SMEs. 84% of the entrepreneurs had university degrees.

FIGURE 10: AGE OF SURVEY RESPONDENTS



**Sector focus:** The entrepreneurs surveyed were concentrated in the sectors of agriculture, consumer goods, energy and manufacturing.

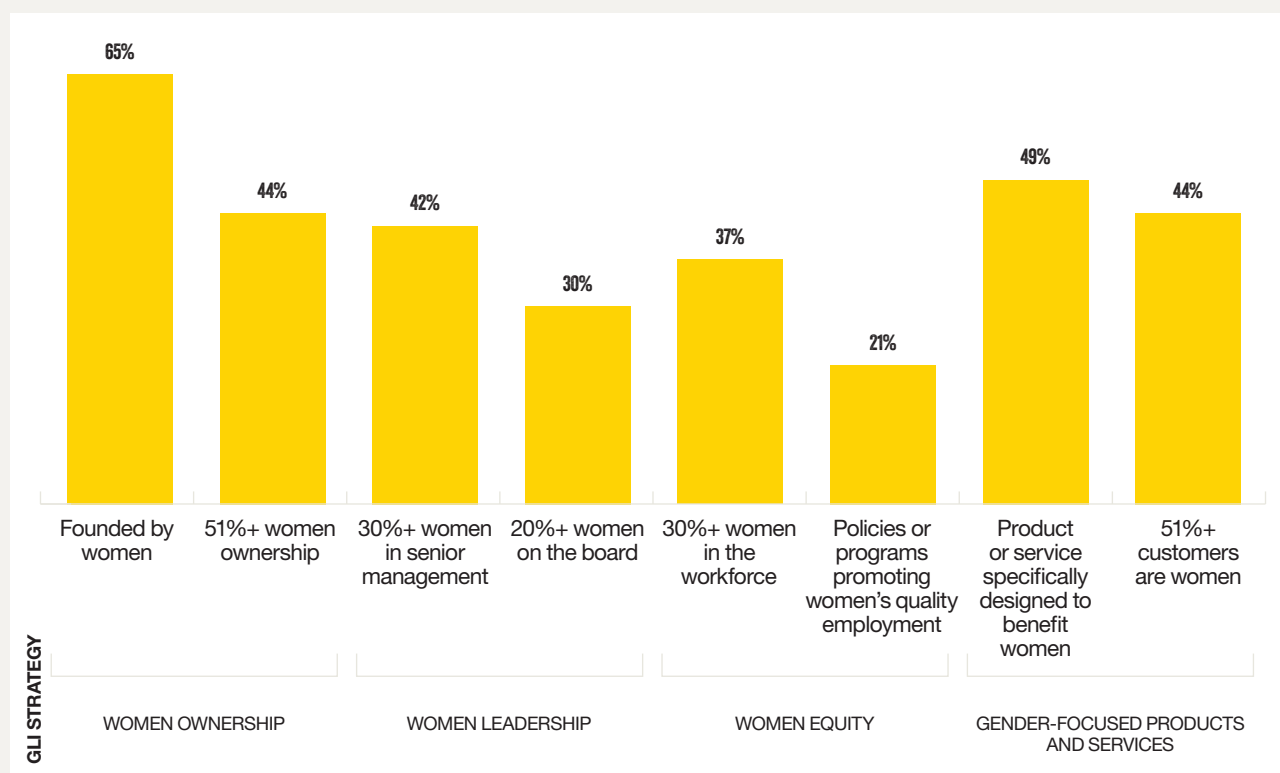
FIGURE 11: SECTORAL FOCUS OF SURVEY RESPONDENTS



**Gender impact:** 65% of the businesses surveyed were founded by women, while 44% of the businesses had majority women ownership. 42% of the businesses comprised more than 30% senior management and 30% of businesses stated that they were integrating gender equality through women's representation on boards.

49% of the businesses indicated that they focused on the provision of women-focused products and services and 44% stated that more than 51% of their customers are women. However, while most of the businesses surveyed deliver direct and indirect gender impact, 51% reportedly do not measure or monitor this gender impact.

FIGURE 12: GENDER IMPACT OF SURVEY RESPONDENTS' BUSINESSES



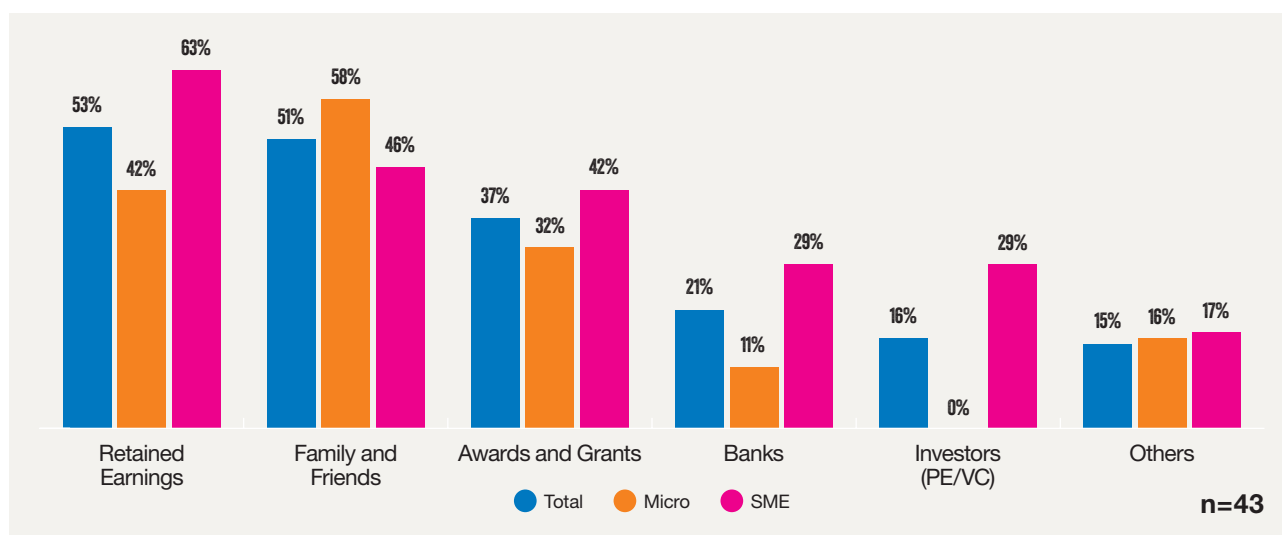
Note: Many enterprises have been classified under 2 or more GLI criteria

## WOMEN ENTREPRENEURS' ACCESS TO FINANCE

**Friends, family and retained earnings are the dominant sources of capital for over half of the women entrepreneurs interviewed.** Despite 75% of these businesses being operational for more than 3 years, they lacked access to formal sources of capital and were forced to rely on friends and family, retained earnings and advances from customers to finance their business.<sup>43</sup> This corresponds to research by the International Finance Corporation that reported loans from friends and family as the main source of financing for 60% of women-owned

businesses across developing countries.<sup>44</sup> Only 37% of the businesses were able to access grants from incubators, accelerator programs and other business competitions, while 21% accessed capital from commercial banks. Dependence on informal sources is high irrespective of business size, although larger businesses reported more access to capital from banks and investors. SMEs were able to attract higher levels of funding from banks and investors due to their more stable revenue flows, larger scale of operations and better networks within these institutions.

**FIGURE 13: SOURCES OF CAPITAL FOR SURVEY RESPONDENTS**



Note: Most enterprises accessed capital from more than one source

**In addition to the above-mentioned sources of capital, interviews and focus group discussions (FGDs) revealed that mobile lenders, SACCOs<sup>45</sup> and Chamas<sup>46</sup> are also significant sources of capital for microenterprises.** Mobile loans from providers such as Kenya Commercial Bank, M-PESA, Fuliza, M-shwari and Kopo Kopo are generally preferred due to their flexibility, lack of collateral requirements and lower interest rates, which typically range between 4-9% per month.<sup>47</sup> In contrast, SACCOs require that businesses save for up to 6 months before providing credit, stipulate that borrowers provide guarantors and charge interest rates averaging 12% per annum.

“I love the repayment flexibility that Kopo Kopo provides, there is also no guarantor or collateral requirement, and you receive the credit almost instantaneously. The credit limit they provide is based on my M-PESA transactions, which motivates me to receive my business payments through my M-PESA account. Although the fee they charge is high, I still prefer them due to the flexibility advantage.”

FGD PARTICIPANT

43. A study by the [Graça Machel Trust](#) states that more than 60% of women-owned businesses in Kenya were being financed internally (2013). The study also states that 35% of women entrepreneurs surveyed in Kenya were yet to overcome challenges faced in accessing finance.

44. Global Partnership for Financial Inclusion and IFC, 'Strengthening Access to Finance for Women-Owned SMEs in Developing Countries', IFC, 2011.

45. Savings and Credit Cooperative Organizations (SACCOs) are community-based lending programs wherein a group of people in a community, typically women, agree to save a certain amount periodically and deposit these savings in a group account.

46. A Chama is an informal cooperative society that is normally used to pool and invest savings by people in East Africa, and particularly Kenya. It functions as a micro-savings group.

47. Intellectap, 'Innovative credit models in Africa', *FSD Africa and Intellectap*, 2019.

### BOX 1: KOPO KOPO MODEL

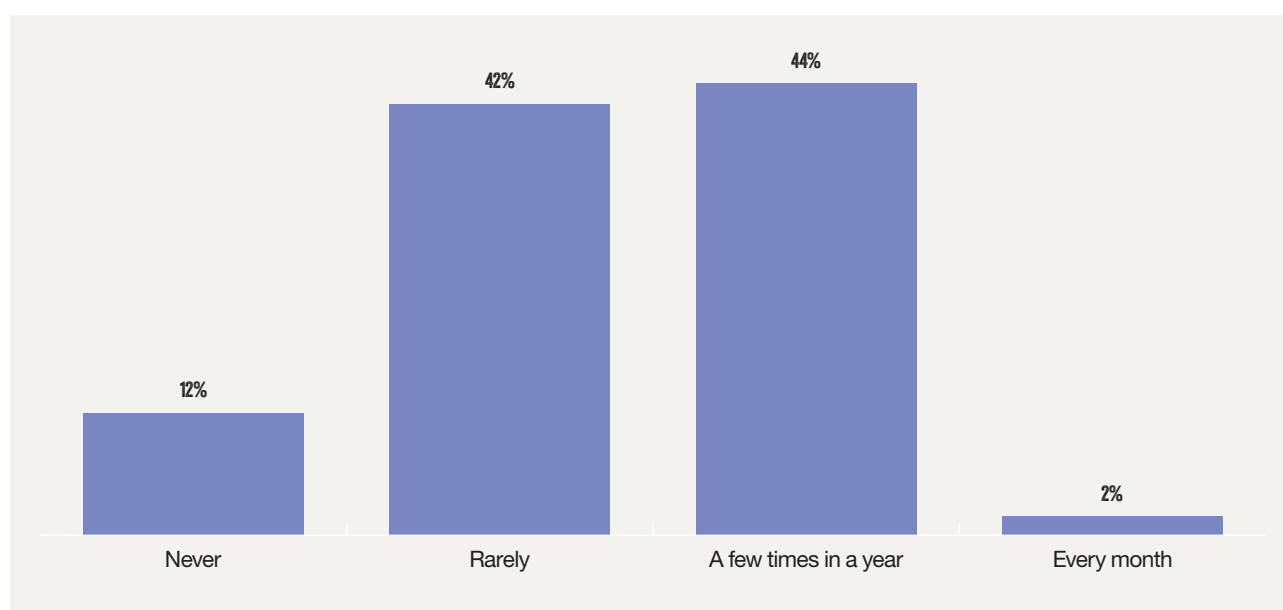
Launched in 2012, Kopo Kopo began as a digital platform to enable small merchants in Kenya to accept digital payments, primarily through M-PESA, and to provide them with a facility to monitor their transactions. In 2013, Kopo Kopo launched its cash advance product, 'Grow', to provide micro loans for merchants. Merchants repay their loans as a percentage of the digital transactions they receive on Kopo Kopo's M-PESA linked payment platform. The merchant cash advance is an unsecured loan, and the credit limit is determined by the cash flow data on the payment platform. The company charges a fixed fee of between 15-20% of the advance amount.

Since its launch, Kopo Kopo has disbursed more than USD 1 million to hundreds of SMEs across Kenya. Average loans are USD 2,400 with a repayment period of between 2-3 months<sup>48</sup>. Kopo Kopo services are also available in Tanzania, Rwanda, Uganda, Ghana and Zimbabwe.

### Capital needs of women-owned businesses are often small with low borrowing frequency.

53% of the respondents stated that they rarely or never borrowed money, while 44% expressed the need to borrow a few times a year and only 1 respondent voiced the need to borrow monthly. 47% of the microenterprises reported borrowing less than KSH 50,000 (USD 500) annually, while the remaining 53% needed between KSH 50,000–2.5 million (USD 500-25,000). 50% of the surveyed SMEs reportedly borrowed more than KSH 500,000 (USD 5,000) either once or a few times per year. This aligns with research by Graça Machel Trust which reveals that women entrepreneurs cite USD 10,000-30,000 as their annual financing need.<sup>49</sup> This 'missing-middle' financing gap is the most critical market gap for GLI and presents an urgent need to devise targeted instruments to support the growth of these enterprises.

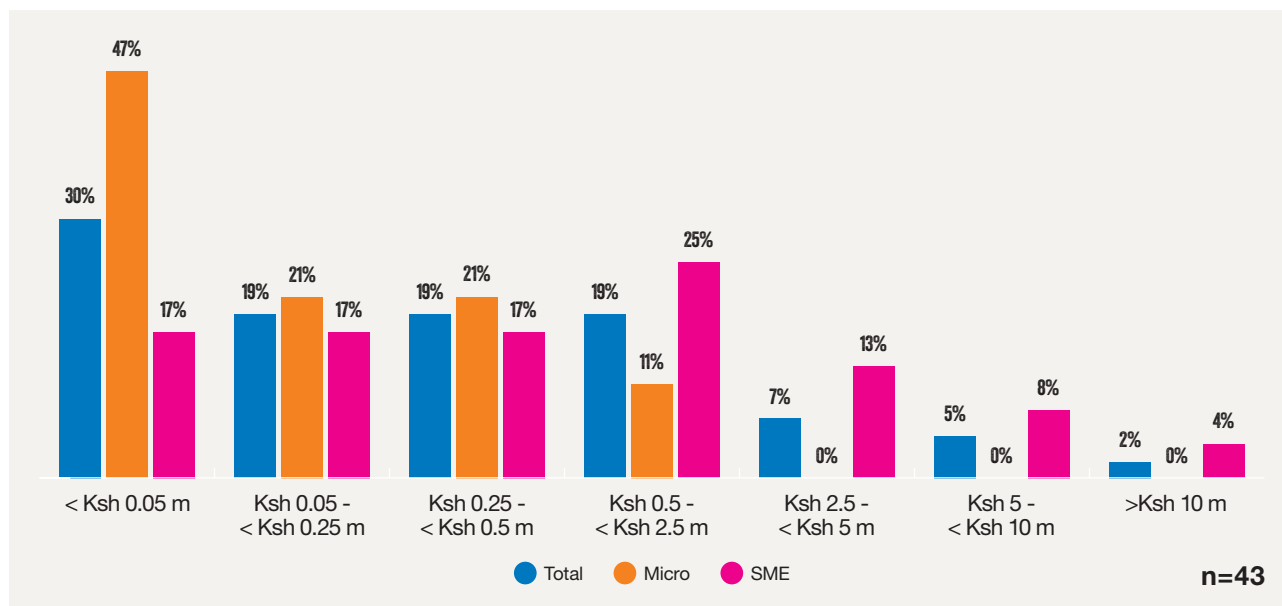
FIGURE 14: BORROWING FREQUENCY OF SURVEY RESPONDENTS



48. B. Lyon, 'Mind the gap: Empowering Kenya's SMEs through alternative lending', *SME Finance Forum* (Accessed November 2021).

49. Graça Machel Trust, 'Growth Barriers faced by Female Entrepreneurs in East Africa', *Graça Machel Trust*, 2018.

FIGURE 15: ANNUAL CAPITAL NEEDS OF SURVEY RESPONDENTS



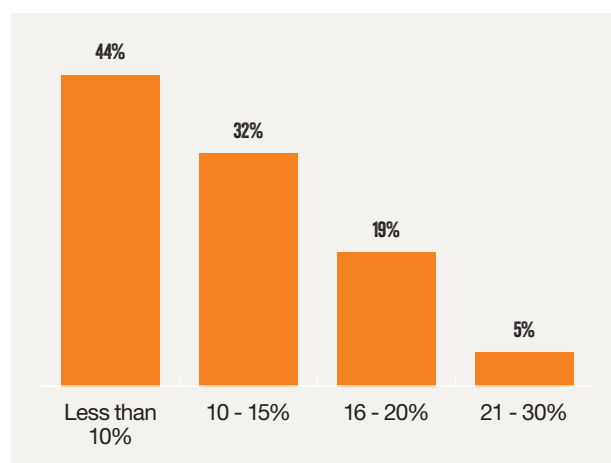
#### More respondents borrow finance to fund capital expenditure than working capital needs.

43% of the businesses cited the need for loans to meet capital expenditure requirements to invest in assets, such as buying machinery and expanding premises. In comparison, 31% of respondents indicated the need for working capital loans to meet operating expenses such as procurement of raw materials, payment of wages, cost of transportation and rent for storage facilities. Furthermore, 26% of the respondents highlighted the need for loans to finance both working capital and capital expenditure. While the need for working capital existed across agriculture, consumer goods and other service enterprises, loans used to fund capital expenditure were primarily required by manufacturing, agriculture and energy businesses because they have higher capital expenditure needs compared to service-oriented businesses.

#### Most businesses pay double digit annual interest rates regardless of the business size.

56% of the surveyed microenterprises and SMEs indicated paying more than a 10% annual interest rate. While 44% of the businesses indicated paying less than 10% interest, this could be attributed to the informal nature of the main sources of capital (friends and family) where zero or low interest rates are charged. Businesses accessing formal sources of capital paid an average of 14% interest on capital.<sup>50</sup>

FIGURE 16: ANNUAL INTEREST RATES PAID BY SURVEY RESPONDENTS



#### Requirements stipulated by investors have contributed significantly to low access to formal capital.

58% of the respondents indicated lack of collateral as their biggest challenge and 51% of respondents stated lack of collateral was the primary reason for being turned down for a loan. Most women lack land title deeds, even when they work on those lands, and collateral is often attached to their husband's or father's name. This finding corresponds to the New Faces New Voices study that indicated that the largest proportion (34%) of women enterprises were unsuccessful in their loan application due to insufficient collateral.<sup>51</sup>

50. Average of annual interest rates quoted by survey respondents borrowing from formal financial institutions.

51. Graça Machel Trust, 'Growth Barriers faced by Female Entrepreneurs in East Africa', Graça Machel Trust, 2018.



“ I once went to borrow a loan against my mother’s title deed which she had handed over to me, but the bank required my brother to sign off. I wonder whether it would have been the case if it was my brother requesting for the loan. ”

FGD PARTICIPANT

**53% also highlighted high cost of capital as a major challenge in accessing formal capital.** As highlighted in Figure 16, 56% of the businesses accessed loans at interest rates of more than 10% annually. This reflects lending rates in the country which averaged 12.4% in 2019.<sup>52</sup> Additionally, financial institutions also include loan processing charges which further increase the cost of capital. Long loan application processes and extensive documentation requirements present additional challenges to accessing formal financing for women-owned and gender-inclusive businesses.

“ The application processes are very long. For one loan I waited almost 7 months and still didn’t get the loan. ”

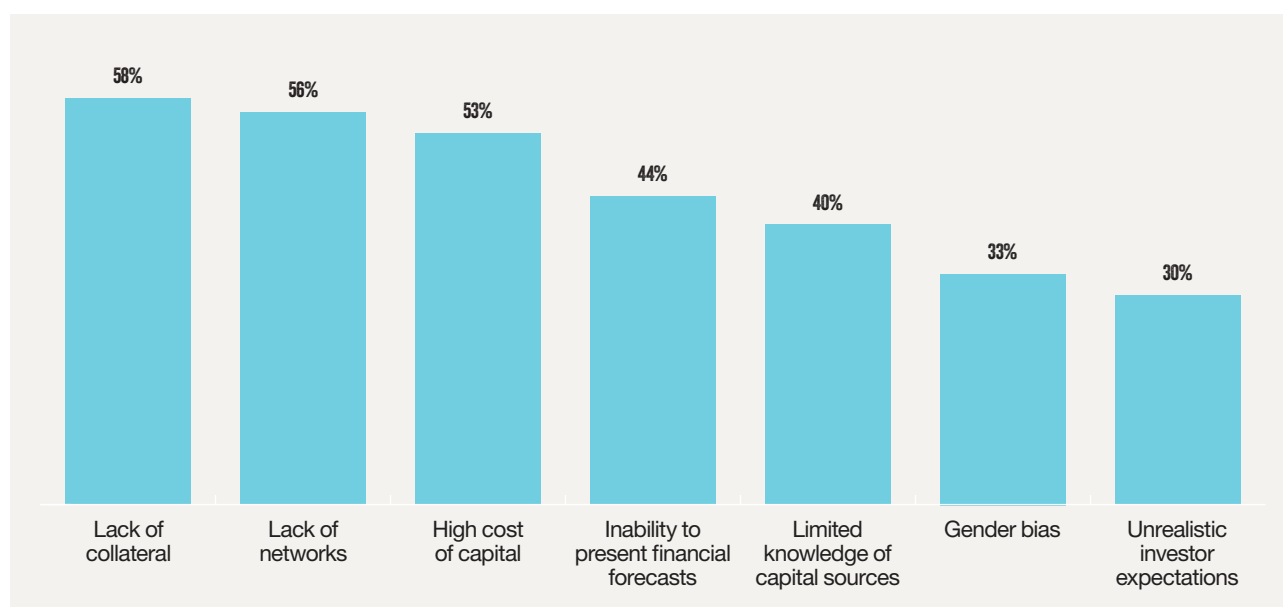
FGD PARTICIPANT

“ In addition to interest rate, there are additional costs that make bank loans very expensive. I once spent KSH 0.5 million (USD 5,000) on transaction costs (processing, legal, others) to get a loan. ”

FGD PARTICIPANT

**44% of respondents indicated that presenting financial forecasts was a key challenge, while 40% signaled limited knowledge of capital sources as a key issue.** Many businesses do not maintain financial records and past performance data, including balance sheets, profit and loss statements and regulatory compliances. In addition, many women entrepreneurs are unaware of the various sources of capital available to them and the relevance of each to the different stages of business growth. Financial decisions are often made based on the experiences of peers, without fully understanding the financial needs of their business and the most appropriate capital instruments for them.

**FIGURE 17: KEY CHALLENGES EXPERIENCED BY SURVEY RESPONDENTS**

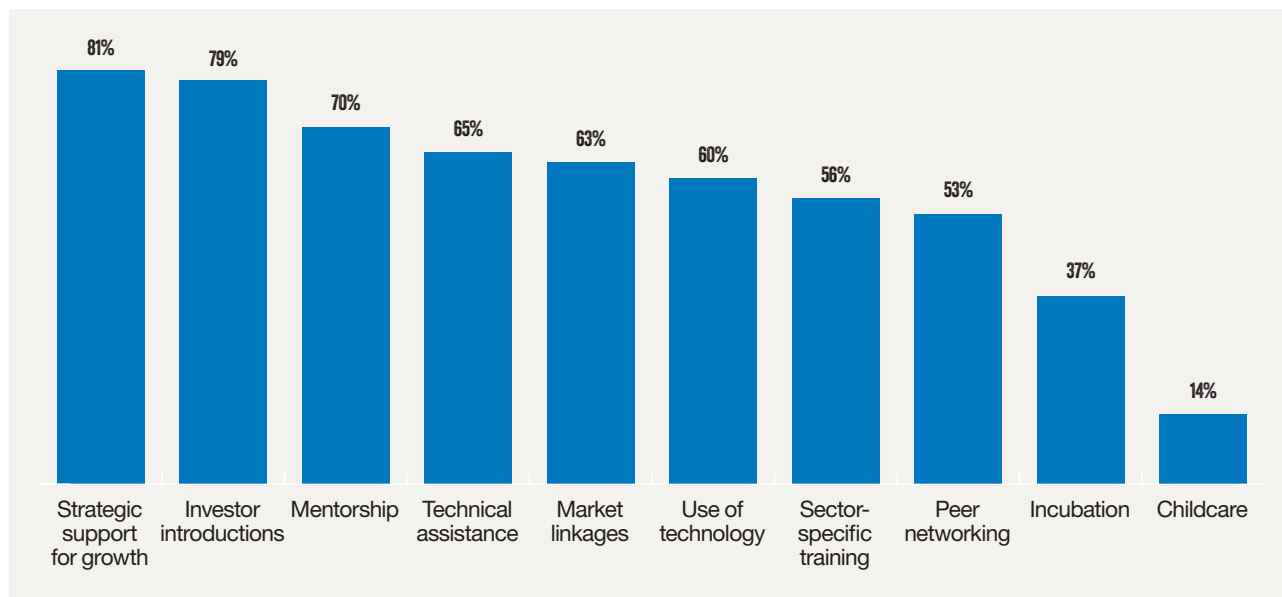


Note: Almost all businesses indicated facing more than one of the above challenges to access capital.

52. [World Bank data](#): Lending interest rate (%) – Kenya (Accessed November 2021).

## WOMEN ENTREPRENEURS' ACCESS TO NON-FINANCIAL SUPPORT

FIGURE 18: NON-FINANCIAL SUPPORT NEEDS OF SURVEY RESPONDENTS



Note: Most surveyed enterprises indicated the need for more than one non-financial support service

**Respondents additionally indicated the most critical non-financial needs to support their business growth. Access to strategic support for growth and expansion emerged as the most important non-financial need for the surveyed businesses.**

This support was primarily required to expand business operations, either to new markets or new customer segments within existing markets. The respondents also reported the need for sector-specific support (56%), such as targeted incubation or acceleration programs, as well as technical assistance (65%). Furthermore, inadequate market linkages hinder businesses from fully reaching their market potential. 63% of respondents highlighted the need for market linkages to expand customer and geographic reach. Moreover, many of the entrepreneurs engaged reported a lack of internal marketing expertise which limited their ability to access relevant customer segments and expand operational reach.

“We would like to see the business support ecosystem help market goods and products through branding and advertisements.”

“Market linkages with groups such as women groups in off-grid areas that need our services would support our business growth.”

FGD PARTICIPANTS

**Networking was also cited as a critical need.** 79% of respondents expressed investor introductions as a key support need to increase their access to finance, while mentorship (70%) and peer networking (53%) were also outlined as critical needs.

**Sourcing talent and managing employee relationships was also expressed as an area of support needed by women-owned businesses.**

Many women entrepreneurs find it difficult to recruit relevant talent due to limited industry networks. They are also unable to afford full-time staff and hence work with consultants or manage most roles themselves, which slows business growth. Moreover, women entrepreneurs witness challenging power dynamics when managing male employees as they need to address existing gender biases and cultural norms. Several women entrepreneurs indicated contending with sexual harassment at the workplace and lack of cooperation of male employees. Sourcing talent from large corporates and consulting organizations to support in the growth journey of women-owned enterprises was highlighted as a potential way of solving human resource issues.

“As a woman CEO I have encountered sexual harassment from my employees, suppliers and distributors.”

FGD PARTICIPANT

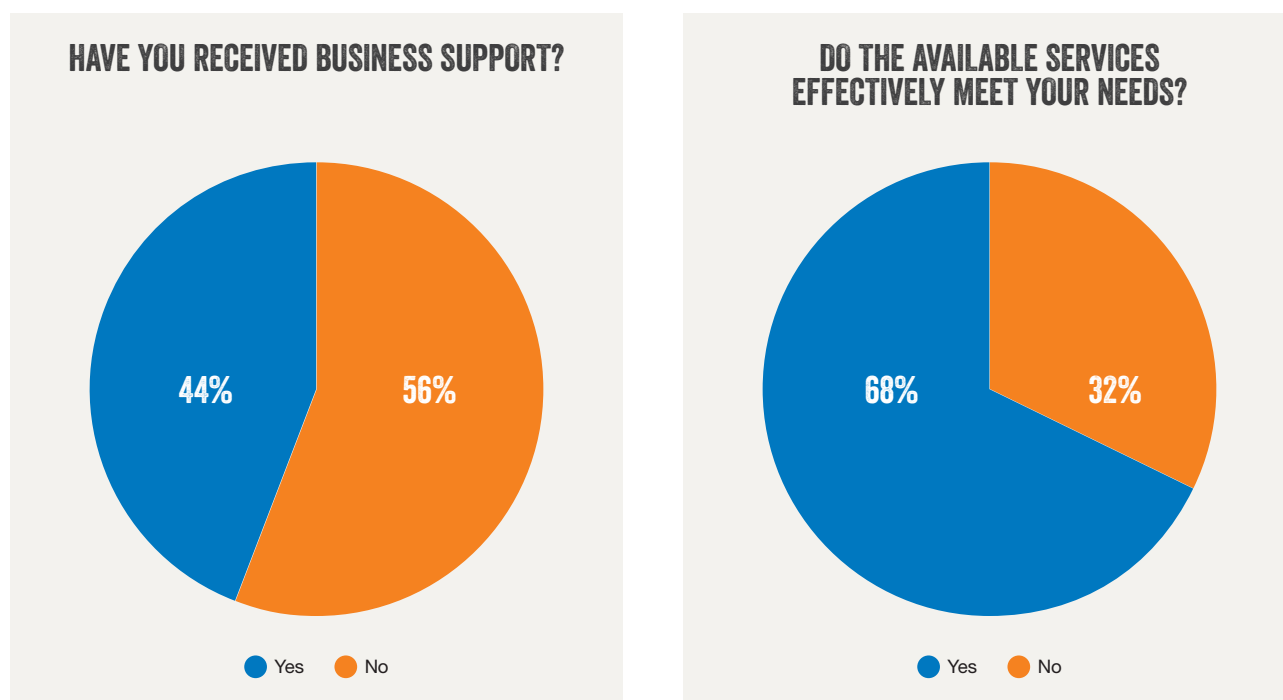
Other needs highlighted included support to develop corporate governance structures, understand legal aspects of the business, write proposals and optimize costs. Several respondents highlighted the need for improved accounting practices and access to legal advice. They also emphasized the need to efficiently communicate their value proposition to build stronger loan applications and forge partnerships. Additionally, women often struggle with gender norms that constrain their ability to expand their businesses. For example, women bear the disproportionate burden of care work which reduces the time available to spend on their businesses.

While entrepreneurs outlined numerous non-financial needs, availability of business development support (BDS) remains low. 56% of the businesses reported not receiving any kind of BDS. Of those who received support, 32% indicated dissatisfaction with the quality of the services. Furthermore, respondents indicated that existing support interventions do not appropriately respond to challenges facing women entrepreneurs. Additionally, they stated that existing interventions are time consuming and do not sufficiently help with raising investments or increasing introductions to investors.

“In our business, we support women to set up their own income generating projects. While this has equipped the women, it has led to increased incidences of domestic violence. Furthermore, while we would like to expand these projects to other geographies, this is often a challenge as the women need to seek permission from their husbands who are not always supportive.”

FGD PARTICIPANT

FIGURE 19: AVAILABILITY AND EFFECTIVENESS OF BUSINESS SUPPORT SERVICES FOR SURVEY RESPONDENTS



As highlighted in Figure 17, 56% of the respondents identified lack of networks as a major challenge impeding business growth. This aligns with surveyed businesses' expressed need for networking opportunities, such as investor introductions, mentorship and peer networking (Figure 18). Investor networking is often exclusive, unconsciously targeting male

entrepreneurs and overlooking the unique needs of women. This includes examples such as women's disproportionate care burden which prevent them from partaking in evening networking activities. The lack of women-friendly networking opportunities hinders women's ability to build partnerships that are essential for their business growth.

**33% of the respondents also identified gender and cultural bias as a key barrier to success.** They expressed that investors evaluate investment risk differently for male- and female-led businesses and felt that they would have been more likely to receive a loan had their business had male leadership. Women entrepreneurs need to balance social expectations and cultural norms with their business. Unpaid care and domestic work responsibilities fall disproportionately on women and girls, especially in developing countries, which limits the time they are able to spend on economic opportunities. A study by Oxfam estimated that women in Kenya spend 11.1 hours per day on care work, compared to 2.9 hours by men.<sup>53</sup> Managing household chores along with focusing on business growth is challenging due to lack of social support<sup>54</sup>, which leads to limited time and encouragement to drive growth. COVID-19 further heightened the care burden as lockdowns led to closures of schools, daycare centers and offices, further diminishing the time that women can devote to their businesses.

“I had to onboard a male board of directors to ease access to funding as men are often perceived as better borrowers and investees by financial institutions.”

“We let my male co-founder handle the fundraising aspects of the business as we feel that he is more acceptable to the investment community.”

FGD PARTICIPANTS

## IMPACT OF COVID-19 ON WOMEN ENTREPRENEURS

**The need for flexibility in accessing financial and non-financial support has assumed greater importance in the light of the pandemic.** Close to 70% of all the enterprises surveyed indicated that their financial and non-financial needs have changed due to COVID-19. More female owned (73%) than male owned (50%) businesses indicated experiencing changes in their business needs. During the pandemic, many enterprises lost their customers or experienced a decline in revenues.

Many respondents indicated the need for multiple capital injections to stay afloat, while also witnessing increased collateral requirements from lenders to cover their risk. Some respondents reported investors delaying funding rounds to take stock and assess the full impact of the pandemic on businesses. The higher impact of COVID-19 on women-owned businesses in our sample aligns with recent external studies which indicated that women are more vulnerable to economic shocks and have been disproportionately impacted by the pandemic. Some of the statistics have been highlighted in Figure 20.

**FIGURE 20: IMPACT OF COVID-19 ON WOMEN-OWNED BUSINESSES<sup>55</sup>**

80% of women-owned enterprises reported lower supplies of products compared to 68% of men-owned enterprises

60% of women reported an increase in the cost of supplies, compared to 35% of men, with women reporting an increase of 13% in the cost of supplies compared to 5% for men

More women-owned businesses (41%) compared to men-owned businesses (31%) borrowed to meet their business and household needs during COVID-19

More men-owned businesses (21%) compared to women-owned businesses (12%) reported selling non-productive assets to meet their needs during the crisis

A greater number of women-owned businesses (46%) temporarily shut down due to COVID-19 compared to men-owned businesses (39%)

**Nonetheless, many businesses tried to mitigate the challenges arising due to the pandemic by adopting measures such as adapting their products and increasing online sales.** Some businesses had to initiate new distribution channels to reach and engage with customers more effectively due to social distancing protocols. Enterprises also reported transitioning to digital sales channels and online payment options to offer virtual customer interaction and ensure business continuity. Others invested in protective gear for employees to ensure that business operations could run smoothly.

53. K. Maichuhie, 'Kenya: Unpaid Care Work Burden Heavier on Women – Study', *Daily Nation*, 2020 (Accessed November 2021).

54. Social support implies positive reinforcement from family members to pursue entrepreneurship along with sharing household chores, as well as encouragement from friends and community members.

55. D. Siddiqui, A. Shukla and A. Singh, 'Impact of the COVID-19 pandemic on micro, small, and medium enterprises (MSMEs)', *MicroSave*, 2020.



## CHAPTER 3

# ENABLING ECOSYSTEM FOR GENDER LENS INVESTING IN KENYA



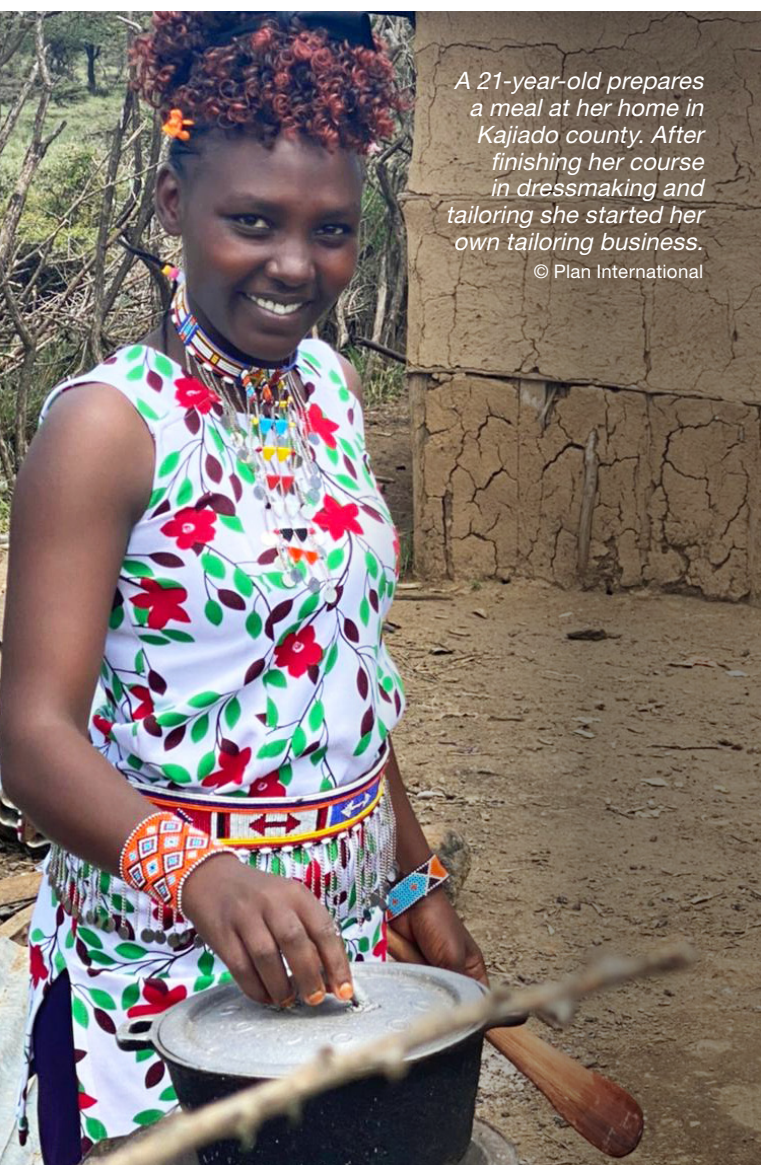
*A young Kenyan woman is looking forward to a better future using her new hairdressing skills.*

© Plan International



## INITIATIVES SUPPORTING WOMEN ENTREPRENEURSHIP IN KENYA

**Kenya has witnessed concerted efforts from the public and private sectors, donors and non-governmental organizations towards women entrepreneurship.** These efforts have directly contributed to the growth of women entrepreneurship and strengthening of the GLI market across Kenya by providing women with financial and non-financial support to build their businesses.



*A 21-year-old prepares a meal at her home in Kajiado county. After finishing her course in dressmaking and tailoring she started her own tailoring business.*

© Plan International

**In the private sector, banks and corporates are expanding their products and services to increase women's access to financing.** Multiple banks in the country such as Stanbic, Absa and SBM Bank are creating targeted value propositions, products and services aimed at serving the needs of women entrepreneurs. Corporates such as Safaricom, Bidco, Unilever and Tropikal Brands (Afrika) Kenya have been intentionally working towards adopting gender-inclusive sourcing that increases women-owned SMEs' access to corporate supply chains.

**Donors also remain central to supporting gender equality and women entrepreneurship in Kenya.**

Since 2014, international donors have deployed around USD 700 million every year towards gender equality initiatives in the country through Official Development Assistance funding.<sup>56</sup> For example, between 2020-2023 the USAID-led Women's Global Development and Prosperity (W-GDP) initiative is investing USD 3 million to train women entrepreneurs on accessing finance while also collaborating with corporates and local financial institutions to develop gender-focused credit products and increase women's digital inclusion.<sup>57</sup> The African Development Bank has developed the Affirmative Finance Action for Women in Africa (AFAWA) initiative to strengthen the women entrepreneurship ecosystem by providing capital and support to enablers that work with women-led SMEs, such as incubators, accelerators and cooperatives.<sup>58</sup>

**Non-governmental organizations (NGOs) have also been at the forefront of advancing women's rights in the country.** Through these programs, which predominantly target microenterprises, NGOs support women to start and scale their businesses. Energy4Impact's Women Integration into Renewable Energy (WIRE) program supports women energy entrepreneurs in rural Kenya through the provision of business and technology training and mentorship, market linkages and support on accessing finance. Similarly, the African Women in Agribusiness Network has been supporting women-owned agribusinesses through its E-Hub which facilitates information on market access, provides information on trade facilitation, tracks technological advancements, facilitates networking and lobbying, and delivers financial literacy trainings. NGOs such as the Jumuiya Women Fund have also increased access to markets and financial services, such as credit and insurance.

56. J. Holton and H. Lewis, 'Gender financing in Kenya: Mapping funding to improve gender equality in Kenya', *Publish What You Fund, Save the Children and Plan International USA*, 2021.

57. USAID, '4 Ways USAID is Promoting Women's Empowerment in Kenya & Egypt', *Medium*, 2020 (Accessed December 2021).

58. AfDB, 'African Development Bank invites business enablers to apply for funding to support women entrepreneurs', *African Development Bank*, 2021 (Accessed December 2021).

TABLE 2: OVERVIEW OF SELECT INITIATIVES SUPPORTING WOMEN ENTREPRENEURSHIP IN KENYA<sup>59</sup>

#	INITIATIVE NAME	IMPLEMENTING INSTITUTION(S)	TYPE OF INSTITUTION(S)	DESCRIPTION
01	<b>Dare to Aspire Dare to Achieve (DADA)</b>	Stanbic Bank Kenya	Private sector	An inclusive platform that provides financial and non-financial support for women to start and grow their businesses. The non-financial benefits offered include education, information and networking. Financial benefits include customized loan and savings plans, insurance and wealth management.
02	<b>Women in Business Program (WIB)</b>	Safaricom	Private sector	Launched in 2017, WIB aims to increase Safaricom's procurement from women-owned businesses by creating a target of 10% of their total procurement expenditure to be allocated to women-owned businesses. The program focuses on building the capacity of the businesses so that they will be able to bid directly with Safaricom as Tier 1 suppliers or participate in subcontracting opportunities with Tier 1 suppliers. By 2019, Safaricom had increased the number of women-owned suppliers to 65 from 17 in 2017 and the number of pre-qualifying businesses for future opportunities to 230 from 27. <sup>60</sup>
03	<b>Advancing Women's Empowerment Fund (AWEF)</b>	Aspen Network of Development Entrepreneurs (ANDE)	Private sector	ANDE launched an Advancing Women's Empowerment Fund (AWEF) as part of its Gender Equality Initiative, which aims to use grant capital to test models for increasing investment into women-led small and growing businesses (SGBs) in emerging markets.
04	<b>SHE Stars</b>	Absa Bank Kenya	Private sector	SHE Stars is a KSH 50 million program which offers 18-month training programs for small and medium women traders. The program aims to offer business skilling to 1500 women entrepreneurs through face-to-face trainings, online sessions and workshops. <sup>61</sup> It also intends to address issues such as inadequate access to finance, mentorship, information and markets. The program will also target the effects of the COVID-19 pandemic and coping mechanisms for businesses.

59. This list is not exhaustive.

60. IFC, 'Sourcing2Equal Kenya: Barriers and Approaches to Increase Access to Markets for Women-Owned Businesses', IFC, 2021.

61. S. Nyawira, 'SHE STARS: Absa Kenya, GIZ to Train 1500 Women Entrepreneurs', *AllAfrica*, 2021 (Accessed February 2021).

#	INITIATIVE NAME	IMPLEMENTING INSTITUTION(S)	TYPE OF INSTITUTION(S)	DESCRIPTION
<b>05</b>	<b>Sunlight Women of More</b>	Unilever, Absa Bank, UNITAR	Private sector	Sunlight empowers women entrepreneurs through various initiatives, in particular financial literacy training. It encourages peer learning, knowledge sharing and networking. The women entrepreneurs are also given the opportunity to market their products alongside the brand's online activities. In 2020, the program supported 50 women business owners. The second phase of this program aimed to reach an additional 5000 women by December 2021 and another 100,000 women by 2026. <sup>62</sup>
<b>06</b>	<b>Sourcing2Equal</b>	International Finance Corporation (IFC), Women Entrepreneurs Finance Initiative (We-Fi)	DFI	Sourcing2Equal Kenya is a global program that aims to connect 5000 women entrepreneurs to new markets via corporate procurement by 2023. It was launched in 2021 and already has 10 participating corporates. The program focuses on supporting corporates to adopt gender-inclusive sourcing and on building the capacity of enterprises to supply to corporates.
<b>07</b>	<b>Invest2Impact Business Competition</b>	FinDevCanada, Commonwealth Development Corporation (CDC), Proparco, the Overseas Private Investment Corporation and Mastercard Foundation	DFI	Launched by the 2X Challenge in 2019, the Invest2Impact business competition program for East Africa aims to increase funding, provide technical capacity building and create a network for 100 women-led initiatives in Kenya, Ethiopia, Rwanda, Uganda and Tanzania.
<b>08</b>	<b>Affirmative Finance Action for Women in Africa (AFAWA)</b>	African Development Bank	DFI	A Pan-African initiative aimed at bridging the USD 42 billion financing gap for women in Africa. It focuses on 3 key pillars to enhance women's entrepreneurial capacity: (a) access to finance, (b) technical assistance to financial institutions and women entrepreneurs, and (c) policy dialogue to reform the legal and regulatory frameworks affecting women-owned businesses.

62. Unilever, 'From striving to thriving: Sunlight to support 100,000 women entrepreneurs', Unilever, 2021 (Accessed February 2021).



#	INITIATIVE NAME	IMPLEMENTING INSTITUTION(S)	TYPE OF INSTITUTION(S)	DESCRIPTION
09	Women's Global Development and Prosperity (W-GDP)	USAID	Donor	W-GDP aims to reach 50 million women across developing countries by 2025 by focusing on three pillars: women prospering in the workforce, women succeeding as entrepreneurs and women enabled in the economy. In 2019 alone, it reached 12 million through government activities, public-private partnerships and the innovative W-GDP Fund.
10	SheTrades	International Trade Centre (ITC)	International organization	SheTrades connects women producers to the market and provides them with resources, information and tools. Women running businesses in textiles and apparel, agriculture, tourism and technology can take advantage of the initiative's benefits. By 2020, 744 women-owned SMEs had benefitted through the program and 261 businesses had connected to international buyers.

## POLICY, LEGAL AND REGULATORY FRAMEWORKS SUPPORTING WOMEN ENTREPRENEURSHIP IN KENYA

**The Government of Kenya has also made strong commitments towards women's economic empowerment and gender equality.** This

commitment to gender equality is outlined in the Kenyan constitution (2010) and reflected in various national policies and strategies. The Economic and Social Pillars of the Vision 2030 Medium Term Plan III (2018-2022) outlines gender equality and economic empowerment as a government priority. The Women Economic Empowerment Strategy 2020-2025 was launched to fulfill the objectives of the Medium Term Plan III. This strategy focuses on enhancing women entrepreneurship, participation in formal employment and access to basic services such as education, health and credit. Furthermore, the government

launched the National Policy on Gender and Development in 2021 that seeks to reduce gender imbalances and inequality across the different levels of government in the country.

**Through various legal frameworks, the government has introduced interventions to enhance access to finance for women-owned businesses.** The Women Enterprise Fund was established to empower women entrepreneurs by providing subsidized credit and capacity building support, facilitating investment into ecosystem support organizations such as business incubators, and developing market linkages to facilitate access to domestic and global markets. Similarly, the Uwezo Fund which launched in 2014 offers loans ranging from KSH 50,000-500,000 (USD 500-5,000) that include a grace period after disbursement and have a tenure of 12-24 months. The capital is accompanied by enterprise development support including capacity building and market linkages.<sup>63</sup> Additional examples of government initiatives that are driving investment into women and other underserved entrepreneur segments include the National Government Affirmative Action Fund, the Youth Enterprise Development Fund and the Access to Government Procurement Opportunities Program.

63. [Uwezo Fund website](#) (Accessed November 2021).



TABLE 3: OVERVIEW OF SELECT GOVERNMENT POLICIES SUPPORTING WOMEN ENTREPRENEURSHIP IN KENYA

LEGISLATION	LEGAL NOTICE NO.147, 2007	PUBLIC FINANCE MANAGEMENT (PFM AMENDMENT) BILL, 2012. 6139	PUBLIC PROCUREMENT AND DISPOSAL ACT, 2013	THE PUBLIC FINANCE MANAGEMENT (PFM) UWEZO FUND, REGULATIONS, 2013	LEGAL NOTICE NO. 24 OF PFM ACT, 2015
Initiative	Women Enterprise Fund	Youth Enterprise Development Fund	Access to Government Procurement Opportunities Program	Uwezo Fund	National Government Affirmative Action Fund
Access to finance	✓	✓	✗	✓	✓
Business development support <sup>64</sup>	✓	✓	✗	✓	✗
Marketing	✗	✓	✗	✗	✗
Training and capacity building <sup>65</sup>	✗	✓	✗	✓	✓
Government procurement opportunities	✓	✗	✓	✗	✗
Mentorship	✗	✗	✗	✓	✗
Target group(s)	Women only	Youth: Men and Women	Women, Youth and People with Disabilities	Women, Youth and People with Disabilities	Women, Youth and People with Disabilities
Target sector(s)	Informal and Formal	Informal and Formal	Formal	Informal and Formal	Informal and Formal

However, women microenterprises are often unable to fulfill the eligibility criteria mandated by these schemes, such as the minimum number of women in groups, appraisals, recommendations from constituency fund management committees and the need to submit financial records. In addition, factors such as limited adoption of accounting practices, limited knowledge of preparing business plans, poor access to financial management trainings and lack of information on accessing these schemes has resulted in limited uptake of some government funds.<sup>66</sup>

**Policies and frameworks promoting and incentivizing impact and gender lens investing in the country remain limited and certain existing policies discourage investment.** The Capital Markets Registered Venture Capital Companies Regulations (2007) allows the registration of

private equity and venture capital firms in Kenya. Among other areas, the Regulations stipulate that international venture funds should appoint a local fund manager and pay value added tax, which makes the country uncompetitive in attracting venture capital investments. Consequently, many impact investment funds operating in Kenya are registered in other countries such as Mauritius and South Africa due to favorable tax incentives.<sup>67</sup> Significant opportunities exist to introduce fiscal mechanisms, such as tax holidays and rebates, to incentivize further investment. In particular, increased gender-based budgeting<sup>68</sup> could help to create a more gender-inclusive economy in Kenya by allocating funds for gender-specific projects, committing to equal status for men and women, developing targeted policies and rolling out initiatives focused on women's economic empowerment.

64. Business development support (BDS) includes services focused on the enterprise's development such as business planning, business model development, financial management, market development, human resources and logistics.

65. Training and capacity building focus on supporting the management team and key personnel and includes services like financial and business skills trainings, monitoring and evaluation capacity, management capacity training and investment readiness.

66. N. Mulu Woche, 'Barriers Faced by Women Groups in Accessing Uwezo Fund in Kikuyu Constituency, Kiambu County', *University of Nairobi*, 2016.

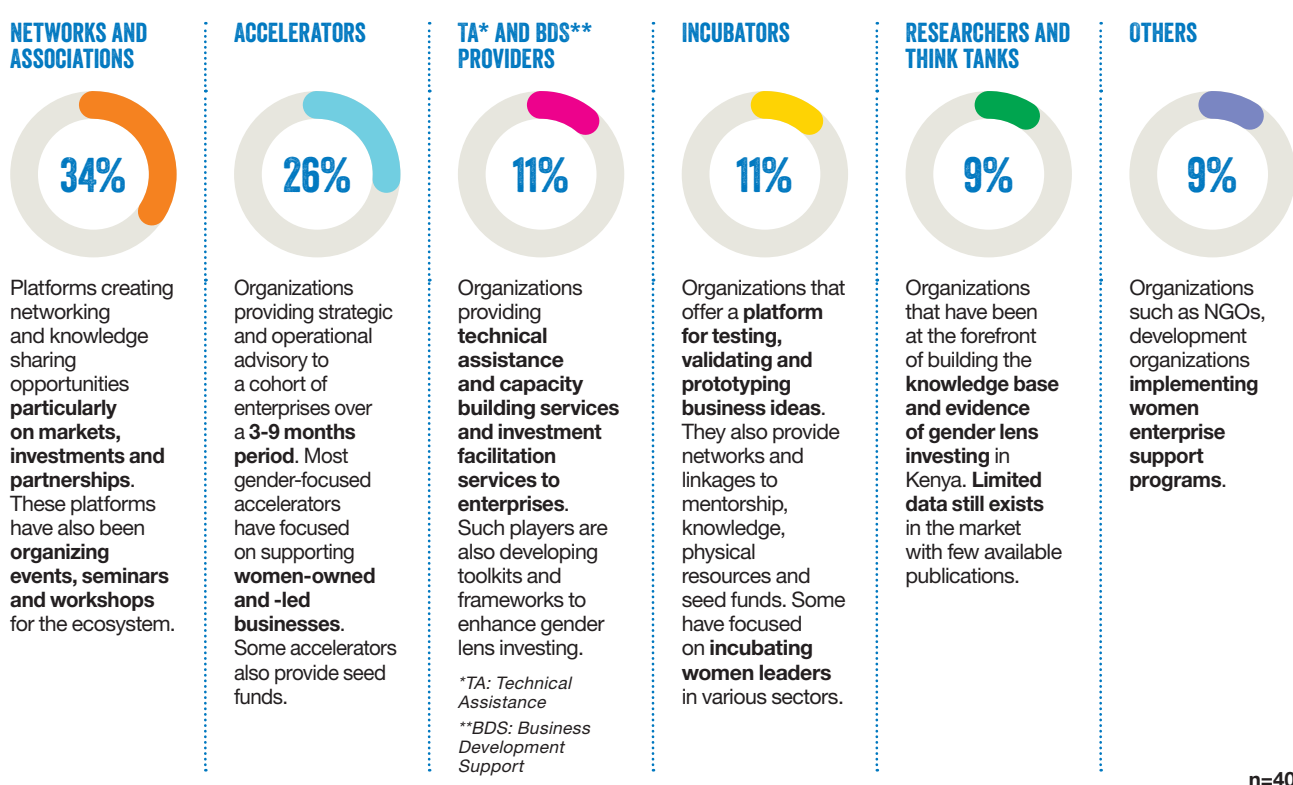
67. K. Yadav, C. Koech, M. Mangeni, J. Murima and T. Philip, 'Kenya Impact Investment Landscape', *Global Steering Group, Intelicap and UKaid*, 2019.

68. Gender-based budgeting aims to incorporate a gender perspective in the budgetary process to restructure revenues and expenditures and promote equality. It helps involve women and men equally in budget preparation, promote accountability and transparency and advance gender equality and rights.

# OVERVIEW OF THE GENDER LENS INVESTING BUSINESS SUPPORT ECOSYSTEM

The growth of GLI in Kenya has been supported by over 40 ecosystem enablers working with both the demand and supply sides for GLI.<sup>69</sup> Ecosystem enablers provide critical non-financial support to investors and businesses to build capabilities and increase the effectiveness of the flow of gender lens capital. The support provided by these organizations ranges considerably from networking to hands-on business support and is delivered by a variety of actors, including NGOs, non-profit organizations and consultancies.

FIGURE 21: OVERVIEW OF GLI ECOSYSTEM ENABLERS IN KENYA<sup>70</sup>



Note: The percentages indicated in the Figure represent the shares of GLI ecosystem enablers in that category.

**Networks and associations, such as platforms creating knowledge sharing opportunities in the areas of market linkages, investments and partnerships, account for the largest proportion of GLI ecosystem enablers.** Networking platforms such as the Africa Women Innovation and Entrepreneurship Forum present opportunities for stakeholders in GLI to engage, while WomenWork Kenya offers an online community and resources

for female professionals in Kenya. New Faces New Voices Kenya (Box 2), a women's network funded by the Graça Machel Trust, has also been actively driving industry dialogue and stakeholder engagement through webinars and knowledge exchange forums. Associations have also played a critical role in organizing events, seminars and workshops for the ecosystem.

69. This research identified 40 ecosystem intermediaries active in Kenya.

70. Business development support (BDS) providers serve businesses of various sizes and provide services focused on enterprise development like business planning, business model development, financial management, human resources and logistics. Accelerators and incubators, on the other hand, are focused more on early-stage enterprises and offer integrated financial and non-financial services such as business management trainings, mentoring, technical capacity building, BDS, and access to investors. Incubators, in addition, often provide a physical workspace for enterprises along with HR, accounting and other back-office support. BDS providers differ from technical assistance providers as BDS providers typically do not offer capacity building trainings and investment facilitation support.

## BOX 2: NEW FACES NEW VOICES

New Faces New Voices (NFNV) is a women's network established in 2009 by the Graça Machel Trust as the business and finance arm of its Multiplying Faces, Amplifying Voices initiative. The network focuses on amplifying the role and influence of women in the financial sector, with the belief that women are an underutilized resource and investing in women can significantly accelerate economic growth on the African continent.

The network works towards three main goals: (a) advancing women's financial inclusion by bringing more women as customers into the formal financial system, (b) building the skills and capacity of African women as investors and entrepreneurs, and (c) fast tracking the number of women in leadership positions in the financial sector. The network also advocates for policy and legislative changes.

To achieve its goals, NFNV:

- Engages with financial institutions, regulators and policy makers to remove barriers impeding women's economic advancement and financial inclusion
- Conducts research and disseminates findings on women's financial inclusion, economic contribution and entrepreneurship
- Convenes meetings, conferences, round table discussions, working groups and dialogues with stakeholders to advance women's economic opportunities and maximize their economic contribution
- Identifies innovative financing models and vehicles to channel more capital with a gender lens
- Promotes women's leadership and influence in strengthening financial systems at national, regional, and global levels

NFNV operates through national chapters across 15 countries including Cameroon, Cote D'Ivoire, the Democratic Republic of the Congo, Egypt, Ethiopia, Ghana, Kenya, Mozambique, Niger, Nigeria, Rwanda, Senegal, South Africa, Tanzania and Uganda. These country chapters serve as implementing agents on the ground, identifying strategic partners and other drivers of change to work with.

**Accelerators comprise 26% of the ecosystem enablers, providing strategic and operational advisory support to business cohorts, typically over 3 to 9 month periods.** Some accelerators also provide seed funding. For example, the ygap-yher accelerator provides business support and grant capital to help ventures refine and validate their business model to increase their community impact. Most GLI-focused accelerators support women-owned or -led businesses rather than gender-inclusive businesses. These include iHub which supports women entrepreneurs in the sustainable Information and Communications Technology (ICT) sector and SheTrades which provides virtual learning for women-owned businesses.

**There are also organizations which provide gender-focused technical assistance, capacity building and investment facilitation services.**

For example, Land Accelerator Africa has been supporting women- and youth-led businesses that restore degraded forests, farmlands and pastures. The program provides 3 months of exclusive trainings, online sessions, mentorship and peer-to-peer networking. Corporate-sponsored enterprise support organizations, such as Standard Chartered Women in Tech Incubator and Microsoft Cloud Accelerator, have also emerged which leverage corporate expertise to support women entrepreneurs.

**The country also has multiple incubation platforms for testing, validating and prototyping business ideas.**

These incubators comprise 11% of the ecosystem and provide networks and linkages for mentorship, knowledge, physical resources and seed funds. Some incubation platforms also focus on incubating women leaders. For example, Akili Dada helps women entrepreneurs by building their decision-making capabilities and encouraging them to take up leadership roles and influence change, as well as providing financial support to girls and young women from underserved populations.

**Finally, several academic institutions and think tanks have been at the forefront of building the knowledge base and evidence for GLI in Kenya.**

The country is also witnessing many digital information repository platforms such as Africa Women Agribusiness Network and Value4Her that provide extensive information on financiers, supply chain players and possible markets. However, access to information is still limited in the market for both demand-side and supply-side stakeholders with few available public sources. Table 3 maps the key focus areas for a selection of GLI ecosystem enablers operating in Kenya.

TABLE 4: KEY OFFERINGS OF SELECT GLI ECOSYSTEM ENABLERS<sup>71</sup>

#	NAME	CAPACITY BUILDING AND TRAINING	INVESTMENT FACILITATION	NETWORKING	MARKET INFORMATION AND RESEARCH	ADVOCACY	EXPLICIT GENDER FOCUS
01	Echo Network Kenya	✓	✓	✓	✗	✓	✓
02	WomenWork Kenya	✓	✗	✓	✗	✗	✓
03	WeBloom Africa	✗	✓	✓	✓	✗	✓
04	ygap-yher	✓	✓	✓	✗	✗	✓
05	Akili Dada	✓	✗	✓	✗	✓	✓
06	iHub	✓	✗	✓	✗	✗	✗
07	Africa Venture Philanthropy Alliance	✓	✗	✓	✓	✓	✓
08	SheTrades	✓	✗	✓	✓	✗	✓
09	Invest2Impact	✓	✓	✓	✗	✓	✓
10	Growth Africa	✓	✓	✓	✓	✗	✗
11	New Faces New Voices	✗	✗	✓	✓	✓	✓
12	Sinapis	✓	✗	✓	✗	✗	✗
13	Intellectap	✓	✓	✓	✓	✗	✓
14	Kayana	✓	✗	✓	✗	✗	✓
15	Land Accelerator Africa	✓	✓	✓	✓	✗	✓
16	Standard Chartered Women in Tech Incubator	✓	✓	✓	✓	✗	✓
17	Microsoft Cloud Accelerator	✓	✗	✓	✓	✗	✓
18	Africa Women Agribusiness Network	✓	✗	✓	✓	✓	✓
18	Value4Her	✓	✓	✓	✓	✓	✓
<b>Total</b>		<b>17</b>	<b>9</b>	<b>19</b>	<b>11</b>	<b>7</b>	<b>16</b>

**Source:** Stakeholder websites.

**Note:** The Table presents select intermediaries and is not an exhaustive list of ecosystem intermediaries

71. Services offered by ecosystem intermediaries have been identified through desk research, from the list of offerings and programmatic interventions listed on stakeholder websites. This is not an assessment of the key strengths of intermediaries and may exclude additional services they provide.



## CHAPTER 4

# GENDER LENS INVESTING IN KENYA<sup>72</sup>



<sup>72</sup> The insights presented in this section are primarily based on the GLI and impact investment deal database developed by the research team. More details on the database have been outlined in the methodology section

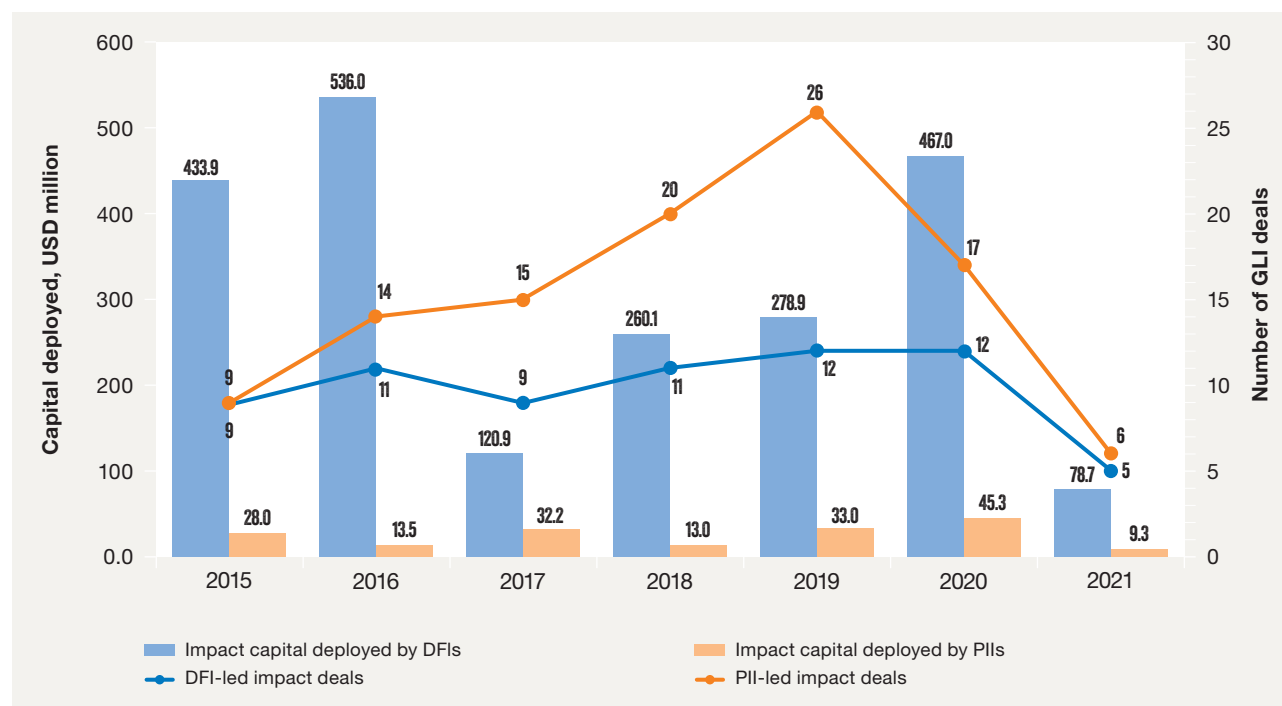
SINCE 2015  
IMPACT INVESTORS  
HAVE DEPLOYED

**USD 2.43 BILLION** IN  
**182 DEALS**

ACROSS KENYA

**Kenya is the financial and economic capital of East Africa and the leading destination for impact investments in the region.** According to Project SAGE 4.0, more than 30% of the 206 global funds investing with a gender lens focus on Sub-Saharan Africa as the target investment geography,<sup>73</sup> and Kenya has historically represented almost half of the impact capital disbursed in the region.<sup>74</sup> Figure 22 depicts the impact capital deployed in Kenya since 2015. Global DFIs contributed 90% of the impact capital invested in the country, amounting to USD 2.18 billion in 69 impact deals between 2015 and 2021. Private impact investors (PIIs) invested USD 174.2 million across 107 deals during the same period. While DFIs invested in fewer deals, the total capital disbursed is much higher given the large ticket size of investments.

**FIGURE 22: IMPACT INVESTMENTS IN KENYA, 2015-2021**



Note: Since the study was undertaken in 2021, the database captures deal information until June 2021.

**Over the last 5 years, gender lens investing has been growing in Kenya.**<sup>75</sup> Since 2015, USD 284.5 million was deployed in Kenya through 47 deals with an explicit gender lens, with increased investments from PIIs. 74% of GLI deals were made by PIIs who deployed USD 44.7 million across 35 GLI deals. DFIs, on the other hand,

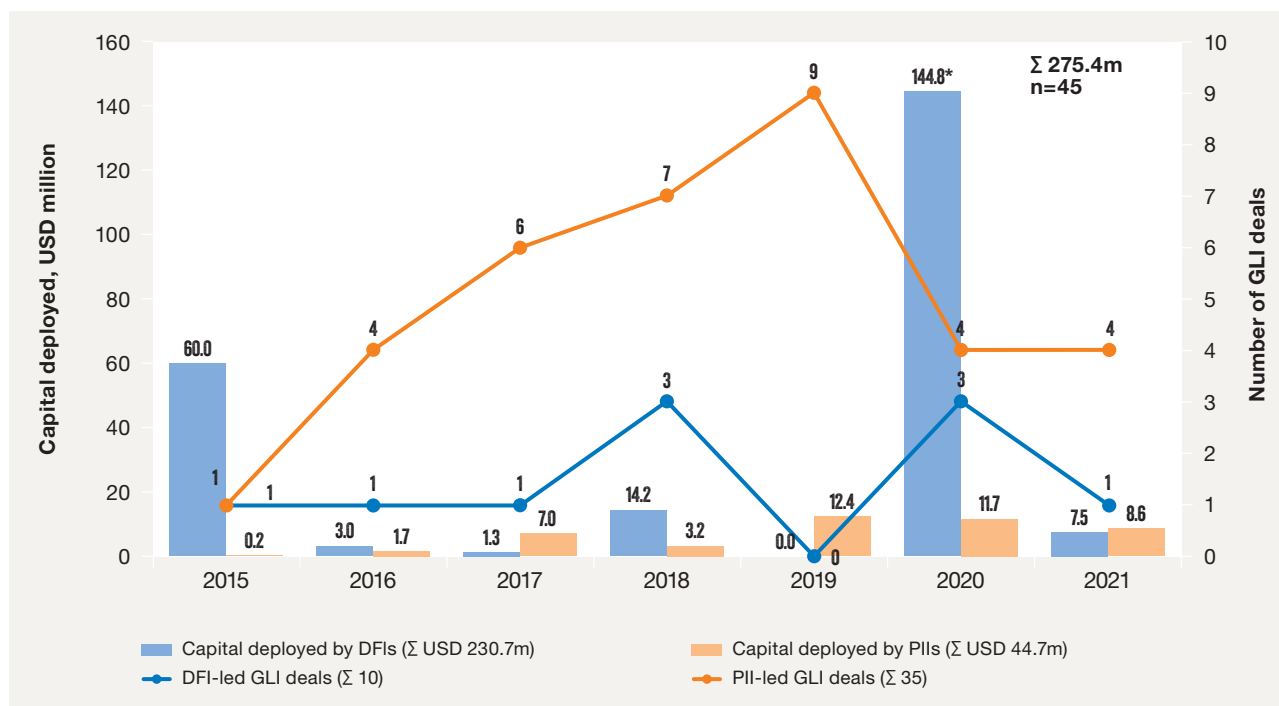
invested in only 10 GLI deals but accounted for 81% (USD 230.7 million) of the GLI capital deployed in Kenya owing to the large ticket size of investments. Two GLI deals accounting for USD 9.1 million were combined investments from DFIs and PIIs. Capital deployment and deals with a gender lens by PIIs and DFIs are depicted in Figure 23.

73. S. Biegel, M. Brown and S. Hunt, 'Project SAGE 4.0: Tracking Venture Capital, Private Equity, and Private Debt with a Gender Lens', *Catalyst at Large and Wharton Social Impact Initiative*, 2021.

74. GIIN and Open Capital Advisors, 'The Landscape of Impact Investing in East Africa', *GIIN, Open Capital Advisors and the UKaid Impact Programme*, 2015.

75. The database of GLI deals in Kenya created for the purpose of this study considered gender lens investments made by impact investors. Hence, for the supply-side analysis of GLI in Kenya, gender lens investing forms a subset of impact investing.

FIGURE 23: GENDER LENS INVESTMENTS IN KENYA, 2015-2021



Note: Since the study was undertaken in 2021, the database captures deal information until June 2021. 2 deals with a combined investment of USD 9.1 million were co-investments made by DFIs and PII-led and have been excluded from the graph above.

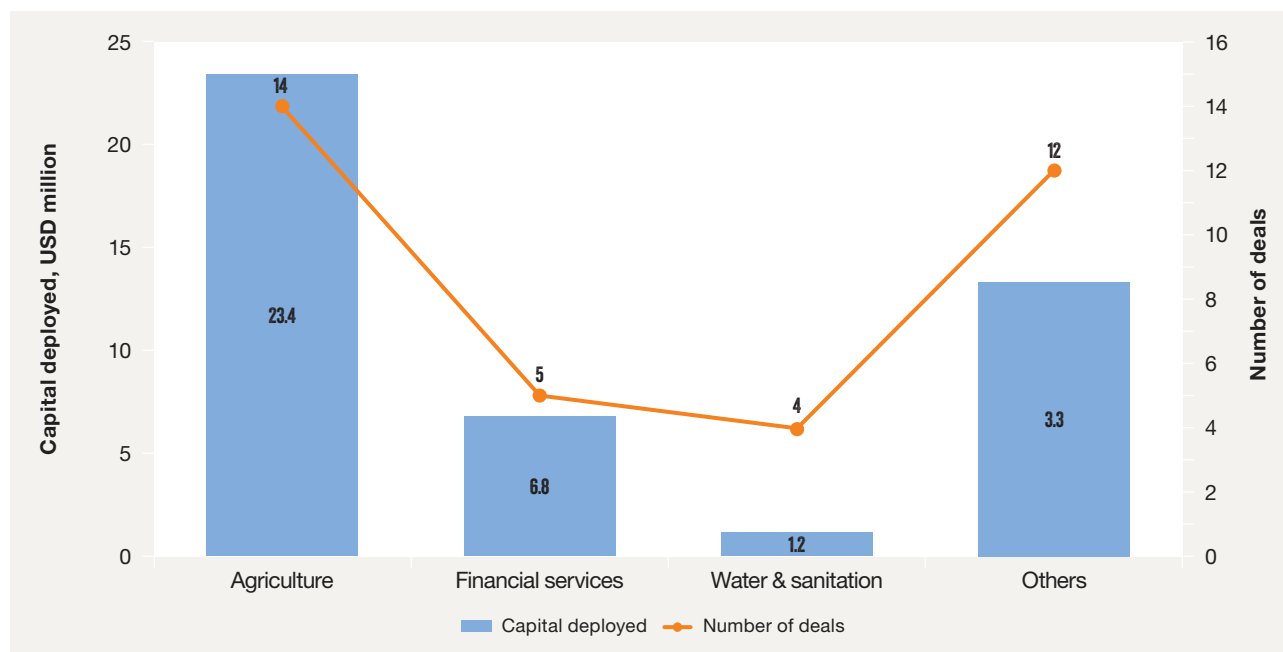
\* The notable increase in capital deployed by DFIs in 2020 is driven by one large ticket (USD 138.75 million) debt investment by IFC.

**The increase in the number of GLI deals has been the result of increased awareness and focus on GLI among PII-led, DFIs and intermediaries.**

The number of GLI deals made by PII-led steadily increased from 2015 onwards (except during 2020 due to the pandemic). Some of the prominent investors deploying gender lens capital through equity investments include Acumen, DFS Labs, DOB Equity and FHI Ventures. Capital providers deploying GLI capital as debt include Optimizer Foundation, Kenya Climate Ventures and Iungo Capital.

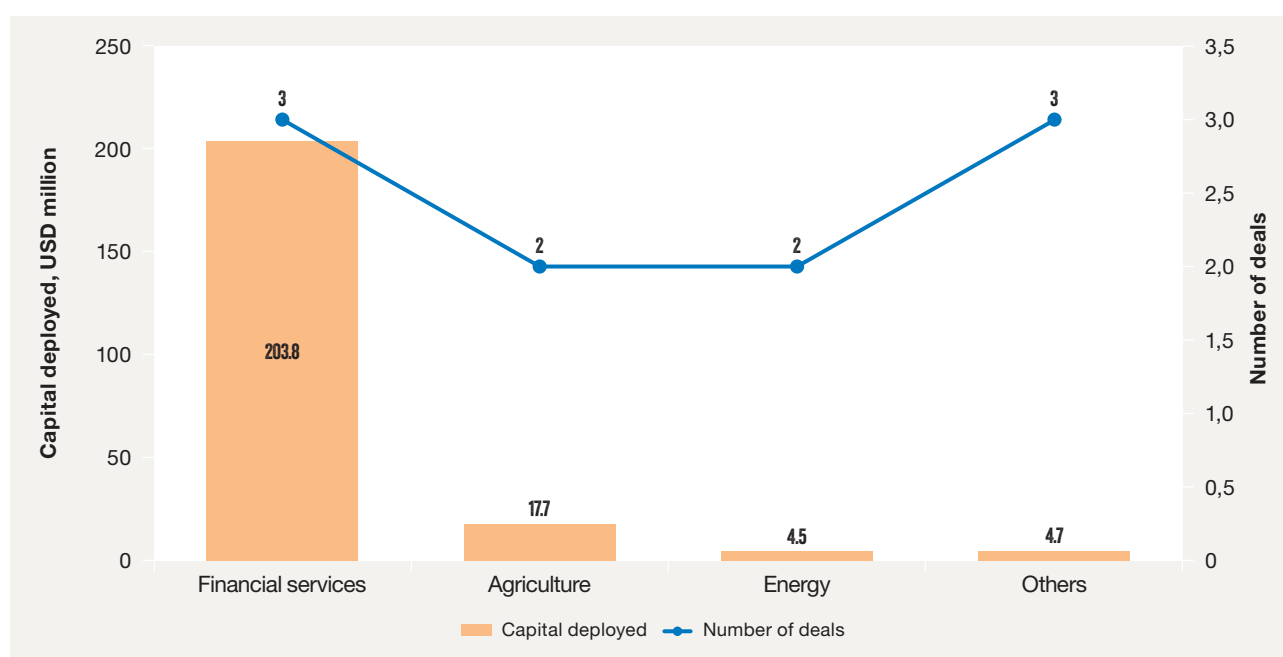
From a sectoral perspective, financial services and agriculture attracted the most GLI capital. Financial services was the leading sector for gender lens investments in the country in terms of total deal value. The financial services sector received

74% (USD 210.5 million) of the overall GLI capital deployed in Kenya between 2015 and June 2021, but accounted for only 8 (17%) of the GLI deals. This was driven by 3 high value deals made by DFIs. A breakdown of GLI deals by DFIs and PII-led by sector has been shown in Figures 24 and 25. DFIs predominantly made investments into banks with the intent to channel capital to women MSMEs. PII-led largely used debt to invest in financial services, focusing on microfinance, digital credit scoring and digital lending products for women. The agriculture sector was the leading recipient of investments made by PII-led, both by deal value and volume. The sector received 52% of the PII-led GLI capital deployed in Kenya and comprised 38% of the GLI deals made by PII-led. Almost half of the deals in the agriculture sector were equity deals.

**FIGURE 24: GLI INVESTMENTS BY PRIVATE IMPACT INVESTORS BY SECTOR, 2015-2021**

\*Others include energy, healthcare, services and education sectors

Note: Since the study was undertaken in 2021, the database captures deal information until June 2021.

**FIGURE 25: GLI INVESTMENTS BY DEVELOPMENT FINANCE INSTITUTIONS BY SECTOR, 2015-2021**

\*Others include healthcare, services and water and sanitation sectors

Note: Since the study was undertaken in 2021, the database captures deal information until June 2021.



**While the majority of the PIs investing with a gender lens had a local presence in Kenya, they contributed less GLI capital than their foreign-based counterparts.** 52% of PIs were headquartered in Nairobi and others operated through a local representative office in Kenya. However, local PIs<sup>76</sup> contributed only 35% of the total GLI capital deployed by PIs, investing USD 18.4 million across 15 GLI deals. The majority of the GLI

capital (65%) was deployed by foreign private impact investors. A comparison of the GLI activity by local and foreign private impact investors (PII) is shown in Table 5. GLI investors with a local office in Kenya include DoB Equity, AHL Ventures, Alphamundi, Global Innovation Fund, Spark Ventures and Grofin. Foreign investors investing in Kenya with a gender lens comprise GMC coLABS, Mercy Corps, DFS Labs, Calvert Impact and FHI Ventures.

**TABLE 5: COMPARISON OF GLI DEAL ACTIVITY IN KENYA FOR LOCAL AND FOREIGN PIS, 2015-2021**

	GLI FOCUSED PIS WITH A LOCAL PRESENCE	GLI FOCUSED PIS WITHOUT LOCAL PRESENCE
Number of investors	12	11
Share of GLI deals	46%	54%
Share of GLI capital deployed	43%	57%
Average deal size (USD million)	1.28	1.34
Top sectors of investment	50% deals in agriculture 13% deals each in water and sanitation and healthcare	32% deals in agriculture 26% deals in financial services
Investment instruments	62% deals used debt, 25% deals used equity, 13% used both debt and equity	42% deals used debt and 58% used equity
Preferred ticket size	56% deals with ticket size less than USD 0.5m	58% deals with ticket size less than USD 0.5m

*Note: Since the study was undertaken in 2021, the database captures deal information until June 2021.*

**Some investors generated a gender impact despite not deploying capital with an explicit gender lens.** 50 deals were made with an unintentional gender lens<sup>77</sup>, which accounted for 11% (USD 263.5 million) of the total impact capital deployed in Kenya. PIs invested USD 54.1 million in 37 deals with an unintentional gender lens, compared to the USD 44.7 million deployed in 35 deals with an explicit gender lens. Acción,

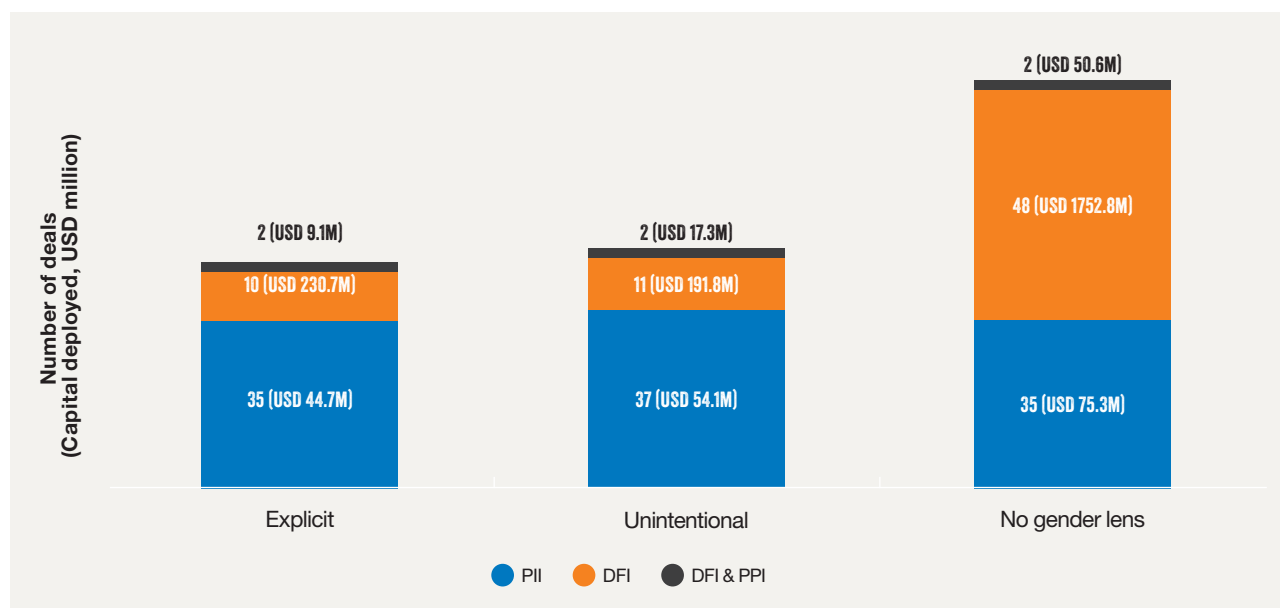
Beyond Capital, DOB Equity, Oikocredit and Spark Ventures were among the PIs investing with an unintentional gender lens. DFIs invested USD 191.9 million in 11 deals with an unintentional GLI focus, in comparison to USD 230.7 million invested in 10 explicit GLI deals. These DFIs included FMO, Norfund, CDC, DEG and FinnFund.<sup>78</sup> An overview of the unintentional GLI deals and capital deployed by DFIs and PIs is provided in Figure 26.

76. Private impact investors (PIIs) who are either headquartered in Kenya or have a representative office in the country are categorized as local PIs.

77. An unintentional gender lens means that the investor's mandate does not include a gender focus and they do not monitor gender-disaggregated data over the investment timeframe. Unintentional gender lens capital is deployed in enterprises that include women in their value chain as leaders, customers, employees or partners, leading to an indirect impact on women and girls. This was assessed through secondary research about the impact theses of investors and details about the investee companies.

78. Additionally, 2 deals with an unintentional gender lens saw combined investment from DFIs and PIs.

FIGURE 26: EXPLICIT VS. UNINTENTIONAL GLI DEALS, 2015-2021



Note: Since the study was undertaken in 2021, the database captures deal information until June 2021.

**The majority of the unintentional GLI deals (62%) were into businesses that provide products or services that improve the lives of women.<sup>79</sup>**

An example of such an unintentional GLI deal is Ilara Health, a health-technology start-up making diagnostic services accessible and affordable for people in Africa. It raised capital from impact investors that did not have a stated focus on gender impact to expand reach and develop a patient management platform. The enterprise has a significant impact on women in Kenya as maternal diagnostics is one of its key focus areas.

**Most investors focus on specific GLI strategies to deploy capital, based on their investment objectives or the focus areas of Limited Partners.**

Gender lens investors assess enterprises for (i) women's ownership, (ii) women's leadership, (iii) women's employment and workplace equity, and (iv) provision of products and services that disproportionately benefit women and girls. Notably, 80% of GLI deals and 92% of GLI capital deployed by DFIs went into enterprises offering women-focused products or services. Women's ownership was the least used GLI strategy by DFIs, primarily featuring as a strategy secondary to women-focused products or services and workplace equity.

In contrast, GLI deals by PIIs used all three GLI strategies equally across their investments. Several deals deployed more than one GLI strategy.<sup>80</sup>

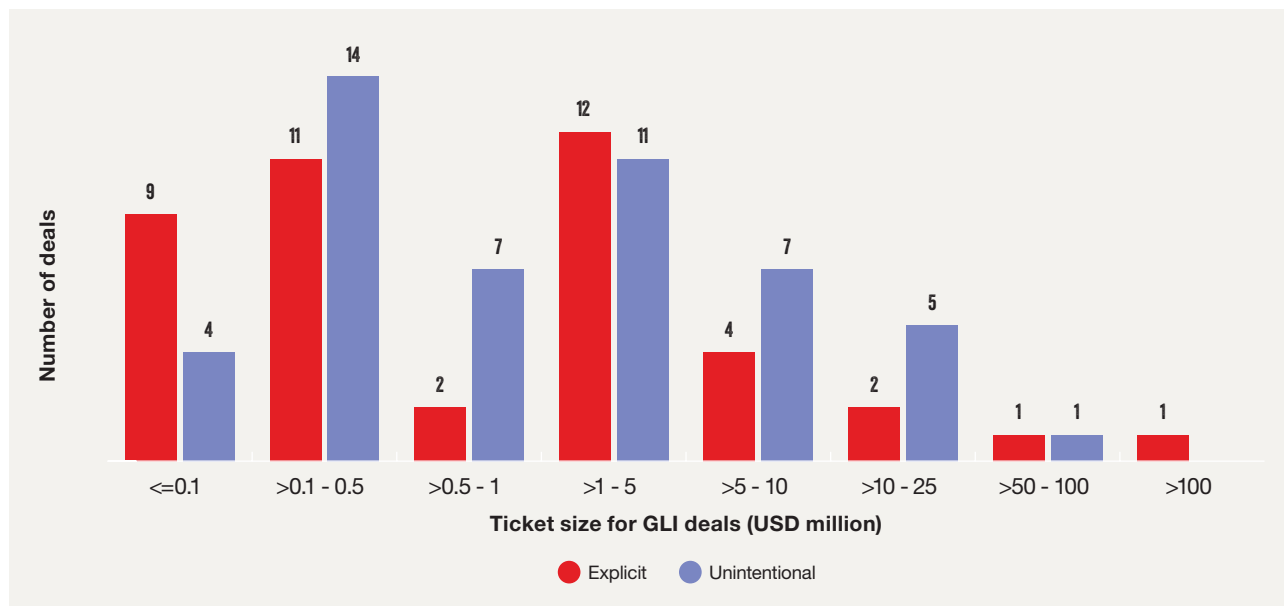
**Most GLI investments are smaller in ticket size, compared to the average deal sizes of all impact investments in Kenya.** The average GLI deal size (including both DFIs and PIIs) is USD 6.1 million, compared to an average deal size of USD 13.3 million across all impact investments. GLI deals by DFIs have an average ticket size of USD 23.1 million, compared to an average deal size of USD 31.5 million for all DFI impact investments. 50% of the DFI GLI deals are between USD 1-5 million. The average ticket size for PII GLI deals is USD 1.27 million, while the average ticket size for all PII impact investment deals is USD 1.63 million. 67% of the PII GLI deals have ticket sizes below USD 0.5 million. Research has suggested that while the market does need small ticket GLI, only a few investors consciously focus on meeting this need. In many cases, investors deploy small ticket capital due to an inability to source appropriate investees which will be able to absorb larger ticket sizes.<sup>81</sup> Figure 27 shows the distribution of ticket sizes for explicit and unintentional GLI deals.

79. However, it is to be noted that many of these unintentional GLI deals used more than one GLI strategy.

80. 5 deals addressed both workplace equity and women ownership strategies; 13 deals addressed both women-focused products and services and women's- business ownership strategies; 4 deals addressed both workplace equity and women-focused products and services as strategies.

81. R. Papp and A. Aslam, 'Funds are recognising their biases against women', *IDR Online*, 2020 (Accessed November 2021).

**FIGURE 27: COMPARISON OF AVERAGE TICKET SIZE FOR DEALS WITH EXPLICIT AND UNINTENTIONAL GENDER LENS, 2015-2021**



*Note: Since the study was undertaken in 2021, the database captures deal information until June 2021.*



## CHAPTER 5

# GAPS IN THE GENDER LENS INVESTING ECOSYSTEM IN KENYA

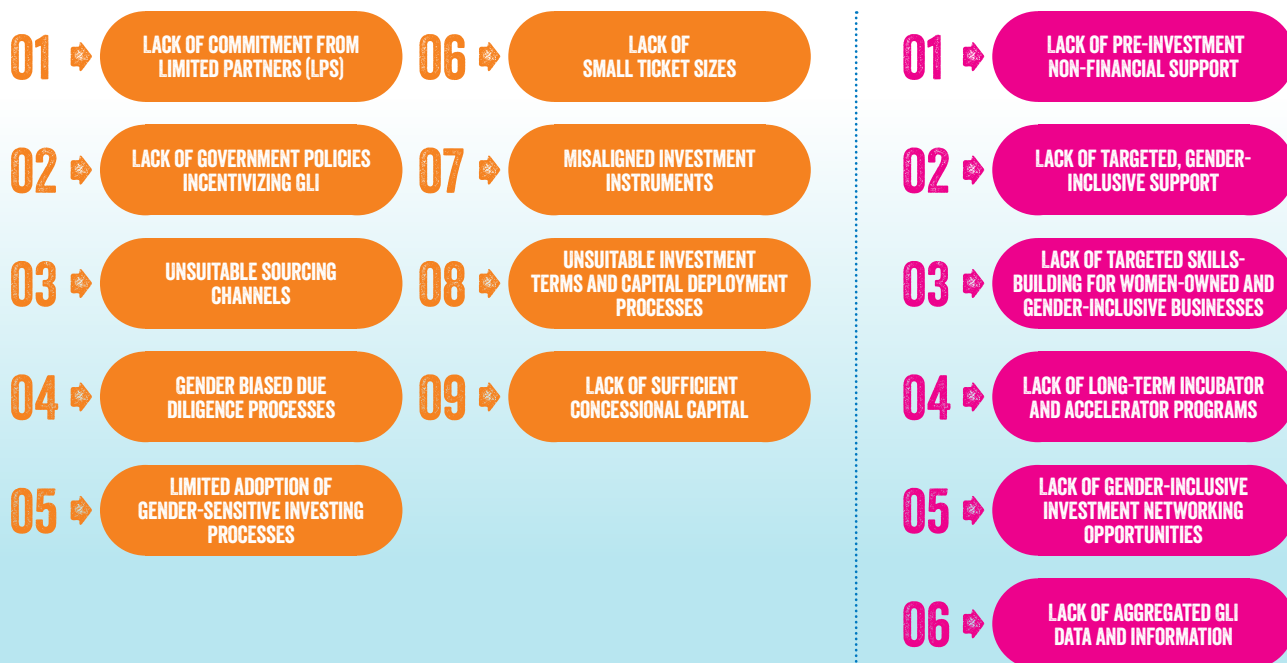




Despite GLI gaining momentum in Kenya, the market continues to experience gaps and inefficiencies. This chapter outlines the key market gaps in capital supply

and the support ecosystem for GLI as revealed by this study, using evidence from both primary and secondary research. These gaps are summarized in Figure 28.

FIGURE 28: SUMMARY OF GLI MARKET GAPS

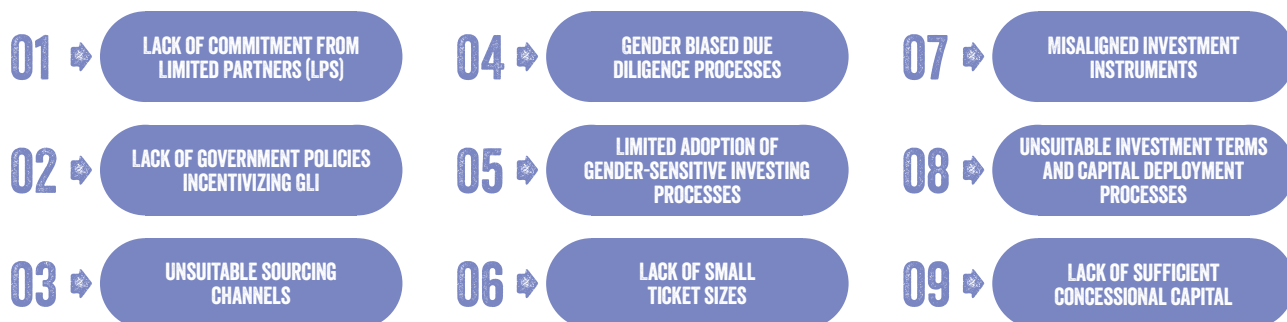


## GAPS IN CAPITAL DEPLOYMENT

Despite the increased interest from investors in adopting a gender lens, there are multiple barriers impeding the growth of GLI in Kenya. A range of supply-side and ecosystem-level factors are restricting the flow of gender lens capital into the market. Inter-

actions with gender lens investors, ecosystem intermediaries, such as accelerators and technical assistance providers, and entrepreneurs were conducted to understand the financial and non-financial market gaps that exist in the GLI ecosystem in Kenya.

FIGURE 29: FINANCIAL BARRIERS LIMITING CAPITAL DISBURSEMENT WITH A GENDER LENS



82. Oliver Wyman, RockCreek and IFC, 'Moving toward gender balance in private equity and venture capital', IFC, 2019.



**Lack of commitment from Limited Partners (LPs) incentivizing GLI reduces investors' adoption of GLI strategies.** Funds' investment and impact theses are mandated by LP objectives and return expectations. Lack of commitment among LPs to invest with a gender lens therefore restricts capital allocation to women-owned and gender-inclusive businesses. The primary mandate of LPs is to maximize returns and protect capital of stakeholders; consequently, it is challenging to align external stakeholders when looking to effect social change. Over 60% of global LPs do not have mandates on gender diversity of General Partners (GPs) or of their investment portfolio<sup>83</sup> and most LPs continue to prioritize past performance when selecting investees. Given the continued focus on financial returns of LPs and GPs, incentives are needed to drive the investment required to integrate GLI into both internal and portfolio operations.

**Unconscious gender bias is frequently entrenched throughout the investment process. Firstly, investors' sourcing channels are often unsuitable for women business owners and cater to male norms and behaviors.** Communication channels used by investors are not gender-inclusive: most investors source potential investee companies from existing networks or at networking events and information sessions which typically take place after working hours. This makes them inaccessible to many women who are burdened with care responsibilities. Owing to the traditional networks of these investors, their pipeline of women-owned and gender-inclusive businesses remains limited. Limited use of gender-disaggregated data for deal origination also results in the perception of a restricted pipeline of women-owned and gender-inclusive businesses.

**Gender bias during the due diligence processes further discriminates against women-owned and gender-inclusive businesses.** More than 82% of global venture investors are men<sup>83</sup>: Due diligence processes consequently are designed by male dominated investment teams, resulting in unconscious bias against women. To help inform investment decisions, investors often resort to pattern recognition, which may lead to implicit bias in sourcing and selection processes. For example, male investors often select entrepreneurs who look like them and apply stereotypes to women entrepreneurs, assessing them with greater scrutiny due to higher perceived risk when compared to male-owned businesses. Research indicates that men and women are asked different questions by investors: while men are asked questions about opportunity, women are questioned about risk.<sup>84</sup> Indeed, 33% of the respondents to this research's survey expressed that they had faced gender bias from male investment managers who questioned their ability to repay due to their gender, highlighting how investors often evaluate investment risk differently for male- and female-led businesses.<sup>85</sup> Innovative due diligence and credit assessment processes can prove effective in reducing this gender bias. For example, Village Capital's peer-selected investment process (Box 3) aids in reducing implicit bias from investment decision-makers by shifting decision-making power into the hands of entrepreneurs who rank their cohort peers. As a result, rather than women being crowded out, they are peer reviewed based on the merits of their business.

83. R. Bueschen, 'The Surprising Bias of Venture Capital Decision-Making', *Tech Crunch*, 2015 (Accessed February 2022).

84. D. Kanze, L. Huang, M. Conley and E. Higgins, 'Male and Female Entrepreneurs Get Asked Different Questions by VCs – and It Affects How Much Funding They Get', *Harvard Business Review*, 2017 (Accessed February 2022).

85. Report survey findings (see Chapter 2).

### BOX 3: VILLAGE CAPITAL PEER-SELECTED INVESTMENT MODEL

**Village Capital is a venture capital firm that finds, trains, and invests in impact-driven, seed- and early-stage enterprises that solve development challenges in agriculture, education, energy, financial inclusion and health.**

Village Capital observed the implicit biases and pattern recognition inherent in typical investment decision-making, resulting in less capital being disbursed to women-led businesses. To eliminate this bias in the investment process and increase investments into women-led and women-owned businesses, Village Capital created a collaborative due diligence process, based on “village banking” used in microfinance, which shifts decision-making power from investors to entrepreneurs.

As part of this model, a group of 10-12 ventures (called “peer entrepreneurs”) operating in a specific geography and sector, such as agriculture in Kenya or clean energy in India, evaluate and provide feedback on each other. They convene over a 3- to 4-day workshop to meet potential investors and strategic partners and participate in tailored curriculum to understand the businesses in the cohort. On the final day of the workshop, they fill out an extensive peer ranking matrix, eventually making a collective decision on who should receive investment (usually the top 2 in the rank). The scoring is done using a framework for evaluation, Village Capital’s VIRAL Pathway, to identify venture maturity and development based on team capability, value proposition, product, market, business model and scale.

**This unconscious gender bias is heightened due to limited adoption of gender-sensitive investing processes and inadequate external support to investors in mainstreaming gender.** Capital providers have limited knowledge, capacity and willingness to adopt evaluation tools, frameworks and best practices to channel capital to women-owned businesses. While several GLI tools and frameworks, such as the Gender Lens Investing toolkit by Criterion Institute and the Global Impact Investing Network’s Navigating Impact Project, have been established to enable investors to adopt GLI strategies, capital providers are slow to adopt these. Furthermore, most capital providers have an inadequate understanding of the specific financing needs of women entrepreneurs. They need to develop internal capacity to collect gender disaggregated data, understand gender behavior in borrowing and saving and develop financial products that are designed around women’s needs. Moreover, investors have a limited understanding of gender considerations across business value propositions, operations, supply chains and customers. This results in a lack of ability to assess the holistic gender impact of a company. There is a lack of trainings that could help investors understand the gender considerations in business value chains and allow for mainstreaming of GLI across investment processes. This results in the supply side being inadequately prepared to address these unique barriers.

**The structure of instruments and deals also contributes significantly to excluding women-owned and gender-inclusive businesses from accessing capital. Most notably, the ticket sizes that investors deploy are often unsuitable for women-owned and gender-inclusive businesses.** Investors’ ticket sizes are typically governed by considerations such as fund size, operating costs, return expectations, sector focus and enterprise stage. Furthermore, small ticket deals are financially unviable for many investors due to the high transaction costs per investment and challenges in structuring deals at scale. An analysis of the deal database developed for this report indicates that most gender lens investors deploy capital in ticket sizes of more than USD 100,000; the average ticket size of gender lens investments made by PIs and DFIs was USD 1.28 million and USD 23.07 million respectively.<sup>86</sup> According to existing studies however, most women-owned businesses require annual capital of between USD 10,000-30,000<sup>87</sup>. This report’s survey indicated similar trends: 25% of SMEs had annual capital needs of USD 5000-25,000 and a further 25% required more than USD 25,000 of annual capital<sup>88</sup>. While some new entrants to the GLI market such as Gray Matters Capital’s coLABS are aiming to bridge this financing gap, there are a limited number of funds providing ticket size offerings targeting this segment. This prevents these businesses from accessing the capital they need to grow and

86. Report findings from GLI deal database, along with secondary research on ticket sizes for GLI investors in Kenya.

87. Graça Machel Trust, ‘Survey to Explore Growth Barriers faced by Female Entrepreneurs in East Africa’, *Graça Machel Trust*, 2018.

88. Report survey findings (see Chapter 2).

consequently limits the pipeline development for growth-stage and late-stage investors. This 'missing middle' in financing is leading to a circular relationship between women's small sized businesses and their lack of access to finance: investors' indirect

discrimination against women-owned businesses because of their preference to invest in larger, more established companies is restricting the capital available to women-owned businesses which is critical for their growth.<sup>89</sup>

## BOX 4: GRAY MATTERS CAPITAL COLABS

**Gray Matters Capital is an impact investor that invests with a gender lens in for-profit enterprises focused on bridging the gender gaps in education and workforce participation. At the time of this report, Gray Matters had invested in 75 enterprises across US, India, Latin America and Africa.**

coLABS is a sector-agnostic investment portfolio launched by Gray Matters Capital in 2017 that invests in enterprises whose products have a disproportionate impact on the lives and livelihoods of women. The investment criteria include:

- Impact on women: a laser-sharp focus on empowering women and girls
- Innovative: new and challenges ideas

- Scalable: a strong growth model and ability to expand revenues over the next 5 years
- Early-stage: enterprises looking to either prove their concept or scale

coLABS offers revenue-share investment with ticket sizes between USD 25,000-250,000 for a period of 3-5 years, along with technical support including building advisory, strategic mentorship and follow-on investment to qualified investees. It aims to make 12 investments annually across the world.

With the aim to improve the lives of 100 million women around the world, coLABS has committed USD 5 million over 3 years to help early-stage entrepreneurs with seed capital and strategic advisory support.

**In addition, investment instruments are often misaligned to the needs of women-owned and gender-inclusive businesses.** Most debt available in the market requires collateral which excludes women entrepreneurs due to their limited asset ownership. Alternatives to asset-based lending structures, such as receivables financing (invoice and purchase order financing), could help solve this challenge of lack of collateral and other physical assets. 58% of the respondents to this research's survey indicated lack of collateral as their biggest challenge and 51% of respondents stated lack of collateral was the primary reason for being turned down for a loan.<sup>90</sup> This finding corresponds to the New Faces New Voices study which indicated that the largest proportion (34%) of women enterprises were unsuccessful in their loan application due to insufficient collateral.<sup>91</sup> Furthermore, given the inconsistent revenue cycle for most early-stage enterprises, flexible loan terms, such as flexible or revenue-based repayment schedules, moratoria and longer tenures, could result in improved repayments. Such flexible and innovative structures

targeting women businesses are, however, broadly unavailable in the market. Unconventional Capital (Uncap) provides a unique example of how funds can address these constraints to design instruments and structure deals for women. Uncap invests in local, early-stage enterprises through equity, with a provision for buy-back based on revenue sharing. It evaluates entrepreneur capability through personality and psychometric tests to keep decision-making unbiased and inclusive, instead of using traditional evaluation frameworks that embed unconscious gender biases. Uncap offers small ticket sizes (between USD 10,000-50,000) and does not require collateral, thereby lowering the barriers to access for women entrepreneurs. In addition, in contrast to debt women entrepreneurs are less inclined to take on equity<sup>92</sup> due to fear of losing control and decision-making power in their business. They also struggle to match self-contribution requirements of equity investors and fulfill the high return expectations of equity investors.<sup>93</sup> This limits the risk capital available to women-owned businesses to drive early-stage growth.

89. E. Carranza, C. Dhakal and I. Love, 'Female Entrepreneurs: How and Why are they different?', *World Bank Group*, 2018.

90. Report survey findings (see Chapter 2).

91. Graça Machel Trust, 'Survey to Explore Growth Barriers faced by Female Entrepreneurs in East Africa', *Graça Machel Trust*, 2018.

92. B. Orser, A. Riding and K. Manley, 'Women Entrepreneurs and Financial Capital', *Entrepreneurship: Theory and Practice*, 2006.

93. D. Farrell, C. Mac and C. Wheat, 'Gender, Age, and Small Business Financial Outcomes', *JP Morgan Chase & Co. Institute*, 2019.



## BOX 5: UNCONVENTIONAL CAPITAL

**Unconventional Capital makes seed funding accessible to entrepreneurs by relying on a data-driven, scalable investment approach. It invests in early-stage companies to provide strategy and advisory support.**

Uncap uses financial and non-financial metrics for evaluation, giving every entrepreneur the equal opportunity to fundraise. A personal dashboard is generated for each entrepreneur, which helps them understand their financials, generate a credit score and understand how their behavior might influence business performance in the future. It also offers business support and training webinars through local partners.

Automating the due diligence process and using analytics has allowed Uncap to offer ticket sizes below USD 50,000. Uncap offers equity which is bought back by businesses based on the growth of their revenues. Entrepreneurs receive payment reminders on their phone, which they can either accept to pay or request to adjust as per revenue generation. Based on repayment, equity taken by Uncap accrues back to the entrepreneur and is eventually entirely bought back over the investment period.

Uncap aims to leverage the data generated from its investment process to build knowledge resources on topics including sourcing channels, predictive testing of entrepreneurs and support needs.

**Investment terms and capital deployment processes often fail to meet women-owned businesses' requirements which excludes them from accessing finance.**

Convenience, speed of conversion and simplified documentation are critical for women entrepreneurs. In contrast, existing investment processes are often lengthy and bureaucratic, leading women entrepreneurs to embrace alternative finance such as mobile money loans due to ease of access, despite considerably higher costs. Evidence from primary and secondary research also indicates that women entrepreneurs prefer ongoing relationship building with their capital providers.<sup>94</sup> They often rely on referrals and approach investors and financial institutions where they have established relationships. When looking for external capital, women entrepreneurs prefer to deal with dedicated point persons who understand their business priorities and respond to both their business and personal financial needs. Many capital providers, however, focus on quick repayment or exits rather than managing long-term customer relationships. Moreover, many existing investors do not offer post-investment support, such as identification of capital sources and investor networking, to women entrepreneurs seeking to transition to the next level of funding, which could support their growth journey.

**Among the most significant gaps is that the market lacks sufficient concessional capital which could be used to lower transaction costs, structure more innovative instruments, provide non-financial support and offset the perceived risk of investing in women.**

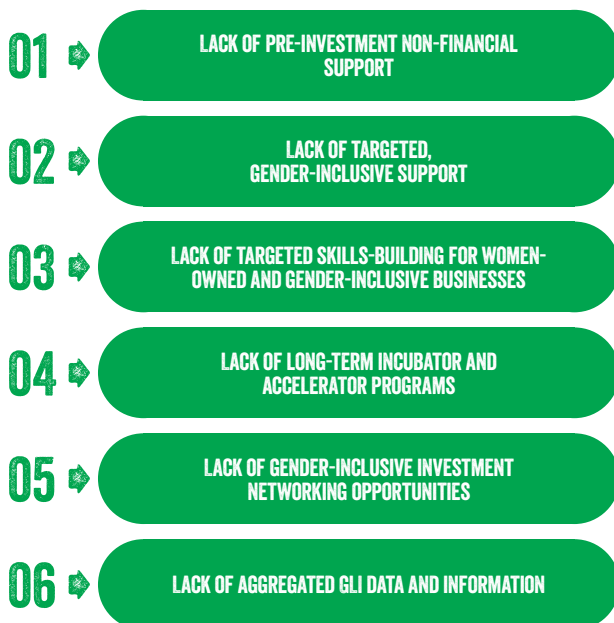
Concessional capital plays a critical role in seeding, scaling and sustaining women-owned businesses as it can be used to structure more innovative or flexible investment products, increase the risk appetite of capital providers and allow investors to introduce value add services such as technical assistance to women-owned businesses. Despite increasing interest in GLI, capital providers themselves often lack access to appropriate sources of concessional capital. This deters them from taking a long-term, impact-focused approach and results in capital providers seeking shorter term, higher return investments. Increased access to concessional capital would lower the cost of capital for investors and enable them to structure higher cost instruments, such as smaller ticket sizes or lower return expectations. Additionally, it would enable investors to fund non-financial support tied to capital, such as tailored technical assistance.

94. Women's World Banking, 'Empowering MSMEs Creating a Better Banking Experience for Women-Led Micro, Small, and Medium Enterprises in Kenya', *Women's World Banking and KCB Group PLC*, 2020.

## GAPS IN BUSINESS SUPPORT

**While there are an increasing number of intermediaries and enablers emerging across the ecosystem to support the growth of GLI, persistent barriers and gaps continue to hinder the success of the market.** This section assesses the non-financial barriers and market gaps experienced by investors, sector experts and ecosystem enablers. These non-financial market gaps create opportunities for new and existing ecosystem stakeholders to ideate and deploy potential disruptive solutions to improve the availability of gender lens capital and support.

**FIGURE 30: NON-FINANCIAL BARRIERS LIMITING GLI**



**Women-owned and gender-inclusive businesses have limited access to pre-investment non-financial support.** Despite Kenyan women having the highest educational attainment in Africa in terms of years of schooling,<sup>95</sup> there is still a need to improve their entrepreneurial skills and business knowledge. This presents a need for targeted business support for women looking to start or sustain a business. Capacity building programs are required to upskill them in business management, facilitate their transition from the informal to the formal sector, support them to

register their business, make their business processes more professional, enable them to adopt financial best practices and make market information available to them. Women entrepreneurs need greater access to financial literacy trainings and education on basic accounting and financing practices at the earliest stages of their business development. Increased pre-investment support targeting women-owned businesses would better prepare this market segment to access future financing.

**Despite support programs existing, women-owned businesses benefit significantly less from generic acceleration services than male-owned businesses, highlighting a need for more targeted, gender-inclusive support.**<sup>96</sup> Technical assistance programs must address the issue of low uptake among women entrepreneurs and redesign their programs to be more accessible and attractive to women. This could be achieved in part through more targeted training which acknowledges and actively supports gendered needs. Women-owned and gender-inclusive businesses could significantly benefit from targeted sector-specific support in developing business models, accessing market information, mainstreaming gender across the business value chain and marketing products to target customer segments. These businesses promote the empowerment of women through engaging them as employees, distributors, suppliers and customers. To grow these businesses and enhance their impact, they need gender-aware mentorship to develop products, processes, channels, employment policies, partnerships and pricing strategies focused on women and girls. However, interventions that support gender mainstreaming in businesses are limited. This indicates a gap in the support ecosystem to deepen the impact of gender-inclusive businesses.

**The support ecosystem is also failing to build targeted skills of women-owned and gender-inclusive businesses. In particular, women entrepreneurs would benefit from core skills training, a curriculum area lacking across the ecosystem.** Women often lack the confidence to lead and promote their business: existing research suggests that women in most developing countries have more negative perceptions of their entrepreneurial abilities than men.<sup>97</sup> Shortage of core skills such as self-confidence and negotiation skills, both perceived and actual, has been linked to weaker entrepreneurial growth for women<sup>98</sup> and to limited access to equity capital.<sup>99</sup>

95. A2F Consulting, 'Market Scoping Study to Inform the Development of the AfDB's Affirmative Finance Action for Women in Africa Programme (AFAWA): Final Report', A2F Consulting, 2016.

96. A. Davidson, M. Guttentag and V. Hume, 'Does Acceleration Work? Five years of evidence from the Global Accelerator Learning Initiative', GALI, 2021.

97. B. Zuzana and K. Thierry, 'Skills as a Barrier to Women's Start Ups', *Economic Research Southern Africa*, 2018.

98. B. Zuzana and K. Thierry, 'Skills as a Barrier to Women's Start Ups', *Economic Research Southern Africa*, 2018.

99. Report findings from primary interactions with GLI ecosystem stakeholders in Kenya.

Certain programs are trying to address this gap, such as M-Kyala which provides capital and business support, coupled with core skills trainings, and the Cherie Blair Foundation which offers support on building communication and leadership skills as part of its Africa Leadership Program.<sup>100</sup> While skills such as relationship building, people management, communication and negotiation are critical for the success of women-owned businesses, such support and training is not widely available in Kenya.

**Women entrepreneurs often cite staffing and hiring relevant human capital as a critical business need; however, this support is rarely offered by ecosystem enablers.** Access to skilled human resources and recruitment of relevant talent was a support need highlighted by enterprises and ecosystem stakeholders during primary discussions. Most women-owned businesses do not have formal role definitions, governance structures and formalized business processes which are required to hire full-time staff. These businesses often deploy temporary talent acquisition strategies, such as hiring new graduates as interns. Lack of employees to manage technical and operational aspects of the business results in women entrepreneurs managing most business functions in addition to their CEO responsibilities. This leaves them with limited time to focus on growth strategy, networking and fundraising, which hinders businesses' ability to scale. Despite this need, few intermediaries in Kenya do provide staffing support for women-owned enterprises, with only a few programs (such as the Cartier's Women Initiative) offering human capital support.

**The time-bound nature of incubator and accelerator programs, which often lack sustainable funding, can stunt the growth of women-owned and gender-inclusive businesses.**

Following incubator or accelerator support some businesses witness a slowdown in growth due to the lack of ongoing mentorship and support.<sup>101</sup> Incubators and accelerators offer support for a limited time which is often insufficient for the entrepreneurs to strengthen business models, effectively utilize capital, adapt businesses to economic changes and sustain long-term growth. These programs offer rapid, intensive and immersive business education and support, compressing

years' worth of learning into a few months.<sup>102</sup> Learning-by-doing is vital to scaling enterprises and it may not be feasible for all entrepreneurs to absorb the training content in such short time periods. In addition, incubators and accelerators offer a controlled environment for the business to operate and implement learnings which does not sufficiently prepare them for real-world situations.

**While peer and ecosystem networks exist across Kenya, there continues to be a lack of gender-inclusive investment networking opportunities.**

Traditional business networking structures often exclude women from participating and benefitting. 56% of respondents to our survey identified lack of networks as a major challenge to their business.<sup>103</sup> Most investor networking takes place after office hours, a time unavailable to many women entrepreneurs who are burdened with disproportionate care responsibilities. Additionally, most investor and industry networks are dominated by men, which may result in hesitancy among women to participate.<sup>104</sup> Women entrepreneurs need flexible, inclusive and accessible networks for connecting with investors, peers and ecosystem support organizations. Without such access, women entrepreneurs can be excluded from capital and business support opportunities.

**Data and information on the GLI market in Kenya is currently highly fragmented, which weakens the business case for investing with a gender lens.**

Most GLI stakeholders adopt a siloed approach, where program or investment results are used for internal learning rather than market building.<sup>105</sup> To date, information and analysis on the financial and impact performance of gender lens investments and programs is anecdotal or restricted to specific research questions, failing to demonstrate the aggregate impact of this asset class. Ecosystem stakeholders including investors, business support providers, research organizations and evaluation professionals need to engage in centralized data collection and build a more context-specific business case for the growth of GLI in Kenya. This can be done by disseminating lessons from women-focused incubator and accelerator programs and outcomes from global and regional gender lens investments, backed by gender disaggregated data.

100. Report findings from primary interactions with GLI ecosystem stakeholders in Kenya.

101. I. Hathaway, 'What Startup Accelerators Really Do', *Harvard Business Review*, 2016 (Accessed November 2021).

102. I. Hathaway, 'What Startup Accelerators Really Do', *Harvard Business Review*, 2016 (Accessed February 2022).

103. Report survey findings (see Chapter 2).

104. V. Gewin, 'Women can benefit from female-led networks', *Nature*, 2018 (Accessed February 2022).

105. Report findings from primary interviews with stakeholders suggest that almost all support programs track growth data and success factors. However, intermediaries use this data to improve future programming rather than sharing success stories with the larger ecosystem.



## CHAPTER 6

# MARKET OPPORTUNITIES FOR GENDER LENS INVESTING IN KENYA





**This study has identified potential opportunities for existing and new players in the gender lens investing market in Kenya.** The identified areas span across supply, demand and ecosystem support needs, and include financial and non-financial recommendations. These recommended interventions seek to fulfill the market gaps previously identified.

**TABLE 6: SUMMARY OF MARKET OPPORTUNITIES AND RECOMMENDATIONS FOR GLI**

#	MARKET GAP	DESCRIPTION	RECOMMENDATIONS
01	<b>Lack of commitment from Limited Partners (LPs)</b>	Funds' investment and impact theses are mandated by LP objectives and return expectations. Lack of commitment among LPs to invest with a gender lens therefore reduces investors' adoption of GLI strategies. The GLI ecosystem is heavily influenced by public policies, which can discourage or incentivize GLI practice by investors and funds.	<ul style="list-style-type: none"> <li>01 Advocate for policies that incentivize capital allocation for GLI</li> <li>02 Develop gender-based incentive structures to increase the intentionality of Limited Partners' and General Partners' gender impact</li> </ul>
02	<b>Limited adoption of gender-sensitive investing processes</b>	Capital providers often deploy standardized processes which can be gender-blind and unsuitable for women-owned and gender-inclusive businesses. Tools and approaches exist which can aid capital providers to be more gender aware, however adoption of such tools is low. Capital providers have limited knowledge, capacity and willingness to adopt evaluation tools, frameworks and best practices to channel capital to women-owned and gender-inclusive businesses. Investors often need support to operationalize gender lens strategies which would enable them to move from intention to action on GLI.	<ul style="list-style-type: none"> <li>03 Develop and implement innovative due diligence and credit assessment tools and processes to reduce unconscious gender bias</li> <li>04 Institute technical assistance programs for investors to enable them to move from intention to action on GLI</li> <li>05 Develop and deliver a GLI fellowship program for fund managers</li> <li>06 Increase the number of female fund managers through gender-inclusive fund management networks</li> </ul>
03	<b>Lack of small ticket offerings</b>	The ticket sizes that investors deploy are often unsuitable for women-owned and gender-inclusive businesses. Small ticket deals are financially unviable for many investors due to the high transaction costs per investment and challenges in structuring deals at scale. However, most women-owned businesses require smaller ticket sizes than those currently available in the market to grow their businesses. This 'missing middle' in financing has resulted in a significant unfulfilled need for small ticket GLI capital.	<ul style="list-style-type: none"> <li>07 Establish a dedicated small ticket fund to invest in women-owned and gender-inclusive businesses</li> <li>08 Partner with financial technology companies to lower deal costs</li> </ul>

#	MARKET GAP	DESCRIPTION	RECOMMENDATIONS
04	<b>Misaligned investment instruments and terms</b>	<p>The structure of investment instruments is often misaligned to the needs of women-owned and gender-inclusive businesses. Debt is often unavailable to women entrepreneurs due to collateral requirements which demand asset ownership that women are less likely to have. Women entrepreneurs are also less inclined to take on equity due to fear of losing control and challenges in matching self-contribution requirements.</p> <p>In addition, capital allocators' terms and deployment processes often fail to meet women-owned businesses' requirements which excludes them from accessing finance. Convenience, speed of conversion and simplified documentation are critical for women entrepreneurs. Women entrepreneurs also prefer ongoing relationships with their capital providers. Many capital providers, however, focus on quick repayment or exits rather than managing long-term customer relationships.</p>	<p>09 Design uncollateralized instruments to make debt more accessible for women entrepreneurs</p> <p>10 Design alternative risk capital instruments</p> <p>11 Design instruments and terms based on women entrepreneurs' specific needs and preferences</p>
05	<b>Lack of sufficient concessional capital for GLI</b>	<p>Concessional capital plays a critical role in seeding, scaling and sustaining women-owned businesses as it can be used to lower transaction costs, structure more innovative instruments, provide non-financial support and offset the perceived risk of investing in women. Despite increasing interest in GLI, capital providers often lack access to appropriate sources of concessional capital. This deters them from taking a long-term, impact-focused approach and results in capital providers seeking shorter term, higher return investments.</p>	<p>11 Advocate for more concessional financing for gender lens investing</p> <p>11 Structure blended capital vehicles to enable more flexible or concessionary instruments for women-owned and gender-inclusive businesses</p>
06	<b>Lack of pre-investment non-financial support</b>	<p>Women-owned and gender-inclusive businesses have limited access to pre-investment non-financial support. This presents a need for targeted business support for women looking to start or sustain a business and ensure they reach investment readiness.</p>	<p>14 Create gender-inclusive capacity building programs that prepare women-owned and gender-inclusive businesses to achieve investment readiness</p>

#	MARKET GAP	DESCRIPTION	RECOMMENDATIONS
07	<b>Lack of gender-inclusive business support</b>	There is a limited understanding of the specific and differentiated support needs of women-owned and gender-inclusive businesses. These businesses could significantly benefit from targeted sector-specific support in developing business models, accessing market information, mainstreaming gender across the business value chain and marketing products to target customer segments.	<ul style="list-style-type: none"> <li>15 Launch sector-specific GLI business support programs targeting women-owned enterprises and gender-inclusive businesses</li> <li>16 Build advisory support for enterprises to monitor and identify areas of gender impact across their value chains</li> <li>17 Provide ecosystem support organizations with results-based financing linked to the achievement of gender-related milestones</li> </ul>
08	<b>Lack of targeted skills-building for women-owned and gender-inclusive businesses</b>	The support ecosystem is failing to build targeted skills of women-owned and gender-inclusive businesses. Women entrepreneurs would particularly benefit from core skills training and support in building their human resource capacity.	<ul style="list-style-type: none"> <li>18 Incorporate core skills training into business support programs</li> <li>19 Establish secondment arrangements with corporates and investors</li> <li>20 Develop specialized talent acquisition services for early-stage businesses</li> </ul>
09	<b>Unsuitable sourcing channels and lack of gender-inclusive investment networking opportunities</b>	While peer and ecosystem networks exist across Kenya, there continues to be a lack of gender-inclusive investment networking opportunities. Traditional business networking often excludes women from participating and benefitting. Women entrepreneurs need inclusive and accessible networks to connect with investors, peer groups and ecosystem support organizations.	<ul style="list-style-type: none"> <li>21 Develop investor networking facilitation for actors deploying GLI strategies</li> <li>22 Develop GLI-specific mentoring and peer networks</li> </ul>
10	<b>Lack of aggregated GLI data and information</b>	Data and information on the financial and impact performance of gender lens investments and programs in Kenya is currently highly fragmented, which weakens evidence promoting the business case for investing with a gender lens. Ecosystem stakeholders including investors, business support providers, research organizations and evaluation professionals need to engage in centralized data collection and build a more context-specific business case for the growth of GLI in Kenya.	<ul style="list-style-type: none"> <li>23 Collect and track long-term performance data of women-owned and gender-inclusive businesses</li> <li>24 Develop a knowledge hub for GLI information and resources</li> <li>25 Develop a deal sharing platform that aggregates data on GLI deals</li> </ul>

## MARKET OPPORTUNITY 1

# INCENTIVIZE GLI COMMITMENT FROM LIMITED PARTNERS (LPS)

### Market Gap

Funds' investment and impact theses are mandated by LP objectives and return expectations. Lack of commitment among LPs to invest with a gender lens therefore restricts capital allocation to women-owned and gender-inclusive businesses.

### Recommendations

#### 1 Advocate for policies that incentivize capital allocation for GLI

The Kenyan government can play a critical role in increasing the amount of gender lens capital available for investment by developing policies that incentivize investments into women-owned and gender-inclusive businesses. Internationally, many governments have adopted policies which encourage the growth of impact investing through strategies that change the perceived risk and return characteristics of impact investments. This can be achieved by adjusting market prices and costs, improving transaction efficiency and market information, or altering investment rules and requirements. Examples of such policies include risk-sharing agreements with government, tax credits, enforcement of ESG reporting and priority lending requirements.<sup>106</sup> Advocacy among actors across the GLI ecosystem for policy and regulatory reforms will play a critical role in increasing the total financial resources available to deliver positive social and gender outcomes.

#### 2 Develop gender-based incentive structures to increase the intentionality of Limited Partners' and General Partners' gender impact

Gender-based incentive structures, when designed and implemented appropriately, could be an effective tool in motivating LPs and GPs to prioritize the achievement of gender impact in their funds. These structures have the capacity to provide GPs with clear incentives to ensure their portfolios deliver high impact in addition to financial performance.



There are a range of ways in which such incentives can be structured, including explicitly tying gender impact metrics to the incentive. Investment in impact measurement is also essential to their success. The uptake of gender-based incentive structures is dependent in part on demand from LPs and interest among GPs to link a portion of their financial stake to social and environmental performance; a cultural change is therefore required to achieve this.<sup>107</sup> However, these commitments can ensure LPs are actively promoting the importance of impact alongside financial performance and can enable them to hold GPs accountable to impact targets. The development and promotion of frameworks for such gender-based incentive structures across the Kenyan investment ecosystem can support in increasing the gender commitment of both LPs and GPs and in deepening the intentionality of funds' gender impact.

106. B. Thornley, D. Wood, K. Grace, S. Sullivant, 'Impact Investing: A Framework for Policy Design and Analysis', *Pacific Community Ventures and The Rockefeller Foundation*, 2011

107. GIIN, 'Impact-Based Incentive Structures: Aligning Fund Manager Compensation with Social and Environmental Performance', *The Global Impact Investing Network*, 2011



## MARKET OPPORTUNITY 2

# INCREASE THE ADOPTION OF GENDER-SENSITIVE INVESTING PROCESSES

### Market Gap

Capital providers often deploy standardized processes which can be gender-blind and unsuitable for women-owned and gender-inclusive businesses. Tools and approaches exist which can aid capital providers to become more gender aware, however adoption of such tools is low. Capital providers have limited knowledge, capacity and willingness to adopt evaluation tools, frameworks and best practices to channel capital to women-owned businesses. Investors often need support to operationalize gender lens investing strategies to help them move from intention to action on GLI.

### Recommendations

#### 1 Develop and implement innovative due diligence and credit assessment tools and processes to reduce unconscious gender bias

Supporting capital providers to adopt tools for gender-inclusive due diligence and credit assessment will help them reduce unconscious gender bias existing in their processes. The inclusion of a gender lens in the design of due diligence and credit assessment methods is essential to ensure these processes are not reinforcing gender biases and unintentionally excluding women from accessing capital.<sup>108</sup> To achieve this, gender disaggregated data must be leveraged to understand women investees unique habits and needs.

Firstly, investors need to be supported to adopt existing tools, such as the Criterion Institute's Gender Lens Investing toolkit<sup>109</sup>, and to integrate them with existing, internally approved processes and due diligence frameworks. In addition, innovative due diligence and credit assessment tools which deviate from traditional methods

to provide more gender-inclusive assessments should be promoted. Examples include psychometric testing, peer-selected investments and the use of alternative data, such as telecom data, utility bill payment information and e-commerce transaction data, to generate credit scores. Examples of these tools being deployed in the market already exist.

CredoLab Singapore has developed an artificial intelligence-based mechanism to identify behavioral patterns of potential borrowers by analyzing their mobile and web behavioral metadata and converting it into a credit score, leading to a 20% increase in bank customer approvals.<sup>110</sup> Another example is LenddoEFL India which uses psychometric testing of potential borrowers to assess conscientiousness, integrity and self-confidence.<sup>111</sup> Artificial intelligence and machine learning offer the opportunity to create more inclusive and fair mechanisms to assess investees. However, to ensure the effectiveness of such mechanisms, capital providers must be conscious of the importance of the underlying data as biases can also exist in the data used to create algorithms for innovative assessment methodologies.<sup>112</sup>

#### 2 Institute technical assistance programs for investors to enable them to move from intention to action on GLI

Capacity building of capital providers is required to drive the mindset shift necessary to embed an intentional gender lens into investors' policies and processes. Male-dominated investment teams and committees are more likely to increase unconscious bias in investment decisions. To abate this, gender sensitization trainings can help to improve employee awareness and attitudes towards gender. Such trainings should not be offered as a one-off but mainstreamed within the organization and conducted frequently. In addition, revising the key performance indicators for investment managers and loan officers will further reinforce gender mandates and ensure adherence to organizational GLI goals. Furthermore, targeted technical assistance can support capital providers to adopt changes to their core processes, including the transition to more gender-responsive sourcing channels, the development of relevant financial instruments and the use of gender-aware metrics for due diligence.

108. J. Arnold, 'The Case for a Gender-Intelligent Approach: An Opportunity for Inclusive Fintechs', *Center for Financial Inclusion*, 2021 (Accessed February 2022).

109. Criterion Institute, 'Designing a gender lens investing action plan: A Tool for Investment', *Criterion Institute* (Accessed November 2021).

110. P. Barcak, 'How CredoLab Reduces Banks' Credit Risks Through Smartphone Metadata', *CredoLab*, 2020 (Accessed December 2021).

111. J. Winkle, 'The LenddoEFL Assessment Part 2: Measuring how people answer questions with metadata', *LinkedIn*, 2018 (Accessed November 2021).

112. S. Kelly and M. Mirpourian, 'Algorithmic Bias, Financial Inclusion, and Gender A primer on opening up new credit to women in emerging economies', *Women's World Banking*, 2021.

### 3 Develop and deliver a GLI fellowship program for fund managers

Given the low number of investors with deep gender expertise in Kenya, it is important to conduct capacity building to increase the awareness of GLI among investors. A fellowship program for fund managers seeking to increase their GLI portfolio could be introduced, supported by existing GLI investors, sector experts, intermediaries and women entrepreneurs who have successfully raised capital. A fellowship program would provide specific tools and knowledge for participants, as well as creating a community of champions to further advocate for GLI in the country. The program could also include networking opportunities for fund managers to interact with women entrepreneurs.

### 4 Increase the number of female fund managers through gender-inclusive fund management networks

Women can play a critical role as capital allocators in increasing investment into women-owned businesses. Data shows that female deal partners invest in almost twice as many female-led businesses compared to male deal partners.<sup>113</sup> Due to this correlation between lack of women-led portfolio companies and lack of women in investment teams, improving the gender balance of investment teams could help fund managers increase their portfolio of gender lens investments.<sup>114</sup> A strategy to achieve this is the development of female fund manager networks. Women-funded, -led and -focused investment networks have been increasing in other African countries such as the Dazzle Angels in South Africa and Rising Tide Africa and FirstCheck Africa in Nigeria. These organizations have been established with the objective of supporting women to invest in other women and acknowledge that fixing capital access challenges for women-owned businesses requires a female-led approach. They operate on the premise that women investors can relate to and identify with challenges faced by women entrepreneurs. Such institutions also play a critical role in providing mentorship, networking and training to businesses. There is an opportunity to establish such a network in Kenya to increase the number of women investors in the country.



113. Oliver Wyman, RockCreek and IFC, 'Moving toward gender balance in private equity and venture capital', IFC, 2019.

114. Oliver Wyman, RockCreek and IFC, 'Moving toward gender balance in private equity and venture capital', IFC, 2019.

## MARKET OPPORTUNITY 3

# INCREASE THE AVAILABILITY OF SMALL TICKET OFFERINGS

### Market Gap

The ticket sizes that investors deploy are often unsuitable for women-owned and gender-inclusive businesses. Small ticket deals are financially unviable for many investors due to the high transaction costs per investment and challenges in structuring deals at scale. However, most women-owned businesses require smaller ticket sizes than those currently available in the market to grow their businesses. This 'missing middle' in financing has resulted in a significant unfulfilled need for small ticket GLI capital.

### Recommendations

#### 1 Establish a dedicated small ticket fund to invest in women-owned and gender-inclusive businesses

Due to the high demand from entrepreneurs for smaller ticket capital, there is a significant opportunity to set up small ticket GLI funds. Such funds should target businesses falling in the 'missing middle' between microfinance and venture funds. By bridging the early-stage financing gap, small ticket funds will play a pivotal role in building the pipeline of women-owned and gender-inclusive businesses for later stage investors. Small ticket funds will need to explore partnerships with innovative players to drive economies of scale and lower the transaction costs of deploying small tickets and will likely require additional concessional capital to increase investors' risk appetite. Examples of existing small ticket funds include Uncap which offers USD 10,000-50,000 ticket capital to early-stage businesses and Gray Matters Capital's coLABS which provides USD 50,000-250,000 seed investments into investment-ready, women-focused businesses. Despite these newer entrants seeking to bridge this financing gap, more funds are required to address this significant yet underserved market segment.



#### 2 Partner with financial technology companies to lower deal costs

The research outlined the increased uptake of capital from financial technology (fintech) companies operating in Kenya due to their ability to disburse capital at speed and their simplified loan processes. Fintech companies have the digital capability to streamline credit assessment and capital deployment processes. Fintech companies can be critical partners for success for funds as their capabilities reduce the cost of deploying smaller ticket size capital at scale. The collection, processing and use of data gives rise to economies of scale throughout the investment process, from credit assessment and due diligence to investment disbursement.<sup>115</sup> Credit assessments can be simplified by analyzing the digital payment footprints of borrowers rather than requiring financial information from businesses. Furthermore, due to direct access to borrowers' cash flow, fintech companies have a unique ability to enforce loan repayments by automatically deducting a proportion of each transaction made by the borrower to contribute to the loan repayment, thereby significantly reducing the costs of debt enforcement.<sup>116</sup> Capital allocators seeking to increase the availability of small ticket offerings should therefore develop strategic partnerships with fintech companies to lower the costs of small deal sizes and leverage data to assess higher volumes of deals.

115. Asian Development Bank, 'Fintech to Enable Development, Investment, Financial Inclusion, and Sustainability: Conference Highlights', *Asian Development Bank*, 2021.

116. K. Rishabhjorma and J. Schäublin, 'Payment Fintechs' Debt Enforcement Technology', *World Bank Blogs*, 2022 (Accessed February 2022).



## MARKET OPPORTUNITY 4

# IMPROVE ALIGNMENT OF INVESTMENT INSTRUMENTS AND TERMS WITH GENDERED NEEDS

### Market Gap

The structure of investment instruments is often misaligned to the needs of women-owned and gender-inclusive businesses. Debt is often unavailable to women entrepreneurs due to collateral requirements which demand asset ownership that women are less likely to have. Women entrepreneurs are also less inclined to take on equity due to fear of losing decision-making power and challenges in matching self-contribution requirements. In addition, capital allocators' terms and deployment processes often fail to meet women-owned businesses' requirements which excludes them from accessing finance. Convenience, speed of conversion and simplified documentation are critical to meet women entrepreneurs' financing needs. In addition, women entrepreneurs prefer ongoing relationships with their capital providers. Many capital providers, however, focus on quick repayment or exits rather than managing long-term customer relationships.

### Recommendations

#### 1 Design uncollateralized instruments to make debt more accessible for women entrepreneurs

Lack of collateral is consistently cited as a key gender barrier faced by women entrepreneurs who often lack the physical assets required to act as collateral. Instruments that do not require collateral are therefore essential to make debt more accessible to women in Kenya. Asset-based loans, which use alternative forms of security instead of collateral, should be more widely adopted by debt investors. Through asset-based financing, businesses obtain funding based on the value of specific assets, including accounts receivables, inventory, machinery, equipment and real estate. Furthermore, new actors such as fintech companies are exploring alternative credit assessment methods to reduce the need for security by using financial and non-financial data to

assess credit risk. Alternative debt instruments can therefore serve the working capital finance needs of early-stage businesses that have difficulties in accessing traditional secured lending products.

#### 2 Design alternative risk capital instruments

The research identified demand for growth capital in addition to working capital. However, women entrepreneurs continue to be hesitant to take on equity financing; alternative risk capital instruments should therefore be explored. Revenue-based financing is increasingly being used as an alternative to traditional equity where businesses can buy back investors' equity over time through their gross revenues. Revenue-based financing is an attractive investment mechanism for businesses as it does not require them to sacrifice part of their equity or pledge a part of their assets as collateral. Other instruments include convertible debt which may be suitable in developing relationships with women-owned and gender-inclusive businesses before converting the short-term debt into equity. As more instruments emerge in the market, it is increasingly important for capital allocators to design alternative risk capital products that are more accessible and attractive to women-owned and gender-inclusive businesses to increase uptake.

#### 3 Design instruments and terms based on women entrepreneurs' specific needs and preferences

The research highlighted that convenience, speed of conversion and simplified documentation are critical to meet women entrepreneurs' financing needs. Existing investment processes are lengthy and bureaucratic, leading women entrepreneurs to embrace alternative finance such as mobile money loans due to ease of access, despite considerably higher costs. Flexible loan terms, such as flexible repayment schedules, moratoria on payment obligations and long-tenure loans could result in higher uptake of formal financing among women-owned businesses. Partnerships with fintech companies, as mentioned in Market Opportunity 3, can also support in offering more flexible repayment mechanisms, such as revenue-based repayments, which may be more suitable for smaller businesses or those with more volatile revenues. Furthermore, evidence from primary and secondary research also indicates that women entrepreneurs prefer ongoing relationship building with their capital providers.<sup>117</sup> Capital allocators therefore need to invest in their customer relationship management to build trust among women investees.

117. Women's World Banking, 'Empowering MSMEs Creating a Better Banking Experience for Women-Led Micro, Small, and Medium Enterprises in Kenya', *Women's World Banking and KCB Group PLC*, 2020.





## MARKET OPPORTUNITY 5

# INCREASE THE VOLUME OF CONCESSIONAL CAPITAL AVAILABLE FOR GLI

### Market Gap

Concessional capital plays a critical role in seeding, scaling and sustaining women-owned businesses. It can be used to lower transaction costs, structure more innovative instruments, provide non-financial support and offset the perceived risk of investing in women. Despite increasing interest in GLI, capital providers often lack access to appropriate sources of concessional capital. This deters them from taking a long-term, impact-focused approach and results in capital providers seeking shorter term, higher return investments.

### Recommendations

#### 1 Advocate for more concessional financing for gender lens investing

Concessional capital is a fundamental capital source as it provides the patience, flexibility and risk tolerance required for impact investing. There is an

additional need for concessional capital in gender lens investing to structure the financial and non-financial products and services required to expand this asset class. While there is an increasing range of concessional finance available through institutional donors, high net worth individuals and partnerships such as the Catalytic Consortium and Convergence, this is highly fragmented and rarely targets gender lens investing. There is a need for larger scale, more aligned collaboration among DFIs, foundations, governments and high net worth individuals to grow the pool of concessional finance available for the gender lens investing market. This finance will be essential for the development of innovative funds, investment instruments and non-financial support designed for women entrepreneurs in higher risk markets.

#### 2 Structure blended capital vehicles to enable more flexible or concessionary instruments for women-owned and gender-inclusive businesses

Fund structures that blend different forms of funding such as philanthropic and commercial capital can play a crucial role in financing women-owned and gender-inclusive businesses which are often perceived as higher risk investments. Concessional capital can be used to lower the perceived risk of investing in women, structure more innovative instruments and provide non-financial support. Examples include guarantee-based structures where philanthropic funding is provided as a guarantee for capital providers to be reimbursed a certain percentage of the investment in case of default, thereby unlocking capital from traditional capital providers for higher risk investments. A guarantee-backed fund can help mitigate risk and enhance attractiveness for capital providers, while also reducing cost of capital for women. Concessional capital can also be leveraged to create offerings which drive higher impact, such as non-financial and impact measurement support. This research has highlighted the importance of technical assistance and strategic support for women-owned and gender-inclusive businesses, which often require sustained support that goes beyond incubation and acceleration programs.<sup>118</sup> Commercial investors are typically unable to deploy capital specifically towards technical assistance due to the return expectations of various funds. Blended fund structures allow for higher availability of low or no return capital for investors to provide non-financial support which can help strengthen the business models of investee companies.

118. I. Hathaway, 'What Startup Accelerators Really Do', *Harvard Business Review*, 2016 (Accessed November 2021).

## MARKET OPPORTUNITY 6

# INCREASE THE AVAILABILITY OF AND ACCESS TO PRE-INVESTMENT NON-FINANCIAL SUPPORT

### Market Gap

Women-owned and gender-inclusive businesses have limited access to pre-investment non-financial support. Despite Kenyan women having the highest educational attainment in Africa in terms of years of schooling, there is still a need to improve their entrepreneurial skills and business knowledge. This presents a need for targeted business support for women looking to start or sustain a business. Pre-investment capacity building programs are required to upskill them in business management, facilitate their transition from the informal to the formal sector, support them to register their business and build their understanding of investment requirements to prepare them for their fundraising journey.

### Recommendations

- 1 Create gender-inclusive capacity building programs that prepare women-owned and gender-inclusive businesses to achieve investment readiness**

Women-owned and gender-inclusive businesses require targeted pre-investment capacity building to support them in achieving investment readiness. Targeted pre-investment training to grow entrepreneurs' understanding of investor requirements is also essential. A specific focus on the creation of pitches, financial documents, investor memos and term sheets would increase women entrepreneurs' understanding of the financing available and attractive to them, thus improving their negotiation power with investors. Cartier Women's Foundation, which provides fellowship opportunities for women entrepreneurs at the start of their fundraising journey and offers tailored business and leadership training to women business owners, showcases the value of this early-stage support.





## MARKET OPPORTUNITY 7

# INCREASE THE AVAILABILITY OF GENDER-INCLUSIVE BUSINESS SUPPORT

### Market Gap

Despite support programs existing, women-owned businesses benefit significantly less from generic acceleration services than male-owned businesses, highlighting a need for more targeted, gender-inclusive support.<sup>119</sup> Women-owned and gender-inclusive businesses could significantly benefit from targeted sector-specific support in developing business models, accessing market information, mainstreaming gender across the business value chain and marketing products to target women and girls. In particular, more focused support is needed to scale gender-inclusive businesses, such as gender-aware mentorship to develop products, processes, channels, employment policies, partnerships and pricing strategies focused on women and girls.

### Recommendations

#### 1 Launch sector-specific GLI business support programs targeting women-owned and gender-inclusive businesses

While several business accelerators and incubator programs exist in the country, very few are exclusively focused on women-owned or gender-inclusive businesses in sectors that target women and girls as customers. A gender-focused program that is designed for and marketed specifically to women-owned and gender-inclusive businesses can achieve wide reach and impact. Programs focusing on the specific needs of female consumers, with an emphasis on sectors such as the care economy, healthcare, education and agriculture, would add substantial value in delivering products and services for underserved population segments. Such programs could provide access to essential market testing to design products and services with women and girls to ensure that they address their critical needs. They can also provide seed funding to support these businesses as they enter the market. Additionally, these programs could provide linkages to early-stage gender lens investors for further seed and growth capital.

#### 2 Build advisory support for businesses to monitor and identify areas of gender impact across their value chains

There are significant opportunities for businesses to increase their positive gender impact by integrating women across their value chain. However, few businesses have the internal capabilities or resources to develop these strategies. Advisory support which works with businesses to identify opportunities to incorporate gender considerations within their existing operations could strengthen the gender impact of many businesses. Opportunities for substantial gender impact lie across various business functions, including procurement, product design, production, marketing, distribution channels and customer management. Businesses also require advisory support to develop impact measurement and management systems to monitor and evaluate this gender impact.

#### 3 Provide ecosystem support organizations with results-based financing linked to the achievement of gender-related milestones

Results-based funding linked to the achievement of gender-related outcomes, such as number of women-owned enterprises supported and number of women beneficiaries reached, could be deployed to increase the number of ecosystem support organizations deploying an intentional gender lens. Such mechanisms would both increase the amount of funding available to GLI ecosystem players, as well as ensuring the delivery of outcomes for women and girls. These mechanisms would also incentivize ecosystem support organizations to embed gender transformative approaches in their programs and measure the results of providing customized support to women-owned and gender-inclusive businesses, additionally contributing to the evidence and data of the GLI sector. These funding mechanisms are being introduced in the market: for example, the Aspen Network of Development Entrepreneurs developed the Gender Lens Investment Pay for Results Fund to catalyze investment into gender lens investing in developing economies. However, further mechanisms are required to provide large-scale impact.

119. A. Davidson, M. Guttentag and V. Hume, 'Does Acceleration Work? Five years of evidence from the Global Accelerator Learning Initiative', GALI, 2021.

## MARKET OPPORTUNITY 8

# INCREASE TARGETED SKILLS-BUILDING FOR WOMEN-OWNED AND GENDER-INCLUSIVE BUSINESSES

### Market Gap

The support ecosystem is failing to build targeted skills of women-owned and gender-inclusive businesses. Women entrepreneurs would particularly benefit from core skills training and support in building their human resource capacity. Lack of confidence has been identified as a key barrier to women's application and participation in various ecosystem programs. Empowering women entrepreneurs with core skills would increase their confidence, participation and leadership. In addition, women-owned and gender-inclusive businesses have cited recruitment as a key barrier towards growth. Limited time and funding restrict these businesses' ability to recruit talent that could contribute significantly towards the growth of their businesses.

### Recommendations

#### 1 Incorporate core skills training into business support programs

A growing body of evidence shows that women are just as competent as their male counterparts, but lack self-belief in their abilities, a phenomenon is known as the confidence gap.<sup>120</sup> This is reinforced given that women are still underrepresented in leadership positions globally. However, research shows that confidence can be learned, a skill which would support women to feel more competent in successfully managing a business. Ecosystem enablers and intermediaries should therefore incorporate core skills trainings as a key component of their curricula. Such trainings could include leadership, networking, public speaking and negotiating. Integrating these topics would provide holistic training for business leaders and support them in competing against male counterparts.



#### 2 Establish secondment arrangements with corporates and investors

As most women-owned and gender-inclusive businesses face challenges in attracting and retaining affordable skilled human resources, corporates, investors and sector experts can be engaged to provide support to businesses. For example, corporates can support enterprises in their supply chain by seconding their staff for specified periods or offering secondments as part of their corporate social responsibility programs. They could also offer business mentorship opportunities with the aim of improving businesses' viability to become future partners. For example, Melvins Teas, a tea manufacturing company in Kenya, partnered with Naivas supermarkets to mentor women in manufacturing.

#### 3 Develop specialized talent acquisition services for early-stage businesses

Ecosystem enablers and intermediaries that have visibility into the human capital challenges faced by early-stage businesses could offer specialized talent acquisition services for early-stage businesses. This could include leveraging HR agencies or universities to help early-stage businesses recruit relevant talent. Such services would support in reducing the burden of talent acquisition that early-stage, resource-constrained businesses face. Furthermore, not only will such services enable early-stage businesses to access talent, but they will also increase the visibility of women-owned and gender-inclusive businesses in the workforce.

120. K. Kay and C. Shipman, 'The Confidence Gap,' *The Atlantic*, 2014 (Accessed February 2022).



## MARKET OPPORTUNITY 9

# DEVELOP GENDER-INCLUSIVE INVESTMENT NETWORKING OPPORTUNITIES

### Market Gap

While peer and ecosystem networks exist across Kenya, there continues to be a lack of gender-inclusive investment networking opportunities. Traditional business networking structures often exclude women from participating and benefitting. Most investor networking takes place after office hours and is dominated by men, which reduces women's ability to participate.<sup>121</sup> Women entrepreneurs need flexible, inclusive and accessible networks for connecting with investors. Without such access, women entrepreneurs can be excluded from capital and business support opportunities.

### Recommendations

#### 1 Develop investor networking facilitation for actors deploying GLI strategies

While there are various platforms and initiatives aimed at peer-to-peer networking for entrepreneurs, there are very few investor-entrepreneur platforms in Kenya targeting stakeholders interested in gender lens investing. There is a need to bridge the knowledge gap on both capital demand and supply sides to increase funding opportunities in the gender lens investing market. Improving access and connections between women entrepreneurs and gender lens investors could improve the ecosystem by growing the deal pipeline for investors, increasing the flow of capital to women entrepreneurs and making knowledge about supply- and demand-side funding requirements more transparent. Furthermore, the research indicated that investment facilitation is the least common source of ecosystem support, while one of the most cited needs of entrepreneurs. The creation of gender-specific networking events or a GLI network could therefore support in reducing the knowledge gaps experienced by both entrepreneurs and investors and increase GLI deal flow.

#### 2 Develop GLI-specific mentoring and peer networks

While there are numerous women entrepreneur networks and communities, there are few targeting gender-inclusive businesses. Creation of GLI-specific peer networks and mentoring would improve knowledge sharing and collaboration between gender-inclusive businesses. Networks would increase opportunities for strategic partnerships for businesses operating in similar sectors and mentoring would provide entrepreneurs with market knowledge to refine and improve their products. Networking has also been proven to play a pivotal role for business growth and success as it provides company founders with market information and connections that can be useful for business development.<sup>122</sup> Additionally, such networks would be useful for the growing GLI market to increase the market knowledge of new entrants.



121. V. Gewin, 'Women can benefit from female-led networks', *Nature*, 2018 (Accessed February 2022).

122. Article by Federico Guerrini, [Study: For 78% Of Startups, Networking Is Vital To Entrepreneurial Success](#), *Forbes*.

## MARKET OPPORTUNITY 10

# IMPROVE THE AGGREGATION OF GLI DATA AND INFORMATION

### Market Gap

Data and information on the GLI market in Kenya is currently highly fragmented, which weakens the business case for investing with a gender lens. While USD 284.5 million has been deployed with a gender lens in 47 deals in Kenya over the last 5 years<sup>123</sup>, there is limited evidence on the financial and impact returns generated by these investments. To date, information and analysis on the financial and impact performance of gender lens investments and programs is anecdotal or restricted to specific research questions, failing to demonstrate the aggregate impact of this asset class. Ecosystem stakeholders including investors, business support providers, research organizations and evaluation professionals need to engage in centralized data collection and build a more context-specific business case for the growth of GLI in Kenya.

### Recommendations

#### 1 Collect and track long-term performance data of women-owned and gender-inclusive businesses

Impact capital often takes longer for social and financial returns to be realized. Building a case for GLI therefore requires a long-term view of investment and impact measurement. To build the business case for investing with a gender lens, ecosystem stakeholders play a critical role in collecting and aggregating the performance data of their gender lens portfolio companies. It is essential that they monitor the long-term performance of women-owned and gender-inclusive businesses and develop case studies to demonstrate their financial and impact success. Disseminating data and case studies across investor networks and public forums will help to demystify gender lens investing and showcase the impact and profitability of GLI over time. Furthermore, increased collaboration across stakeholders is required to ensure that performance data is captured throughout businesses' investment journey.

#### 2 Develop a knowledge hub for GLI information and resources

While resources related to gender lens investing are growing rapidly, including research, targeted business support and impact measurement tools, these are fragmented across many networks and websites, making it challenging for market actors to rapidly source quality information. A GLI knowledge hub for investors, intermediaries and entrepreneurs could therefore improve the ecosystem by reducing barriers to information access and increasing the publicity of gender lens investing. Such a hub could create visibility for women-owned and gender-inclusive businesses through case studies, enhance the availability of relevant information to make investment decisions and encourage collaboration among stakeholders across the GLI ecosystem. The research highlighted that information useful for actors includes GLI funding sources, GLI research and information on networks, incubators and accelerators.

#### 3 Develop a deal sharing platform that aggregates data on GLI deals

Deal sharing platforms that map and promote gender lens investment opportunities for investors have the potential to enhance pipeline building, drive opportunities for co-investment and enable sharing of due diligence costs. Deal aggregation platforms currently exist as part of networks such as the African Venture Philanthropy Association and Toniic, however these are highly fragmented and do not focus on GLI. A deal sharing platform would therefore support in promoting the visibility of women-owned and gender-inclusive businesses and increasing these businesses' access to like-minded investors. Furthermore, aggregation of deal activity would also increase the availability of data on GLI deals. A centralized dataset aggregated via a deal sharing platform would provide critical evidence on the GLI market size, performance and trends and support in furthering the business case for GLI.

123. Based on an analysis of the GLI deal database created for this study.

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### About Plan International

We strive to advance children's rights and equality for girls all over the world. We recognise the power and potential of every single child. But this is often suppressed by poverty, violence, exclusion and discrimination. And it's girls who are most affected. As an independent development and humanitarian organisation, we work alongside children, young people, our supporters and partners to tackle the root causes of the challenges facing girls and all vulnerable children. We support children's rights from birth until they reach adulthood, and enable children to prepare for and respond to crises and adversity. We drive changes in practice and policy at local, national and global levels using our reach, experience and knowledge. For over 80 years we have been building powerful partnerships for children, and we are active in over 75 countries.

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