
Viability of Gender Bonds in SSA

A Landscape Analysis
and Feasibility
Assessment

AUGUST 2020



This landscape analysis and feasibility assessment was commissioned by UN Women and FSD Africa to enable them to better understand:

1. The global gender bond market: how a gender bond is defined, the reference standards available, best practices and bonds issued to date.
2. The viability of supporting a corporate gender bond issuance in sub-Saharan Africa.

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Executive Summary

Gender bonds and gender lens investing

Gender lens investing (GLI) is based on the premise that investing in companies that promote gender equality through their internal policies or through their business activities is not only morally responsible but can lead to higher financial returns. To date, the majority of GLI has been carried out through dedicated investment vehicles such as Alitheia, a Nigerian private equity fund which uses a gender lens approach, or initiatives such as the IFC's Banking on Women (in conjunction with Goldman Sachs' 10,000 Women). Now, a number of development finance institutions (DFIs), development agencies and investor groups are looking to expand the footprint of GLI, popularise gender considerations in investing and provide greater clarity about GLI.

Gender bonds, as a recent development in both the themed bond space and in the GLI space, are still relatively poorly defined, beyond being bonds that support the advancement, empowerment and equality of women. No official or universal definition exists. Like other themed bonds, gender bonds can be issued as senior unsecured notes referencing the balance sheet of the issuer, where proceeds are ringfenced for specific use on eligible 'gender' activities, or as securitisations referencing a pool of assets directly (e.g. issued off balance sheet by an SPV into which a portfolio of eligible loans are placed).

The state of the market

There are currently no dedicated guidance principles on how to issue a gender bond, nor any specific eligibility criteria for use of proceeds. Most bonds issued with a gender label have so far relied on the Social Bond Principles (SBPs), the UN's Sustainable Development Goals (SDGs) or the UN Women's Empowerment Principles (UNWEP) as guidance or reference standards. This diversity is reflected in the types of bonds issued, which vary in terms of use of proceeds, degrees of ambition, and transparency concerning impact.

As of March 2020, 13 gender-labelled bonds¹ have been issued by a variety of entities ranging from large commercial banks, to NGOs, to multilateral development banks. These can be grouped into three broad categories:

'Corporate behaviour' gender bonds

These are bonds where capital is allocated on the basis of the borrower's internal gender equality policies and practices, rather than for specific activities or projects that benefit women. Issuers have used the proceeds of such bonds to lend to companies which are performing well on gender as per some external standards – such as UNWEP or are highly rated by Equileap – or metrics such as the proportion of women on the board. Companies which subscribe to relevant standards or have made gender-equality commitments have also been eligible². So far corporate behaviour gender bonds have been issued in the Global North, where the focus on women's economic empowerment has tended to be defined by access to leadership positions. These bonds have been issued under the Social Bond Principles and received second-party opinions from Sustainalytics.

¹ Not counting social bonds that include some gender considerations.

² Pental Group, Furthering Gender Equality: Next Generation Bonds.

'Financial inclusion' gender bonds

These are bonds that have typically been issued in emerging and frontier markets (or referencing activities in these markets), where the focus is on women's economic empowerment and on closing the financing gap for women through access to finance. Some, though not all, reference the SBPs.

Multilateral and DFI social- or SDG-labelled bonds

A number of multilateral development banks and DFIs have issued labelled bonds – SDG-aligned or social bonds - which include gender-focused uses of proceeds. The degree to which these bonds disclose specific investment information and the reference standards they use varies across issuers. These bonds are not a focus of this report due to their issuers not being in the private sector, but this is not a comment on the bonds themselves. IFC's social bond programme, for example, while not labelled as a gender bond scheme, has earmarked \$1.84 billion for on-lending to female-owned SMEs³ through its Banking on Women initiative.

Box 1. Corporate behaviour bonds and use of proceeds

It is important to note that corporate behaviour bonds are not typical 'use-of-proceeds' bonds, i.e. where bond proceeds are ringfenced for activities which are eligible under a given criteria. Capital in these bonds is instead largely being used as a tool to encourage or reward corporate behaviour: the proceeds of the bond are used to on-lend to firms on the basis of their policies and practices, rather than for productive investments in activities (e.g. loans) or projects (e.g. maternal health clinic) that benefit women. As such, the ultimate use of the bond proceeds is not restricted: the borrowers do not have to use the loans for gender-related activities. This type of structure is not possible with green bonds, but this approach can be compared to how the use of ESG has developed: companies that score well across ESG are now (generally) more likely to be able to attract more investors and capital – but the way they use that capital is not prescribed. This approach may still be appropriate within the gender bonds space.

Comment on the market

The majority of gender bonds issued so far address financial inclusion of women, women entrepreneurs and female-owned SMEs in emerging markets, or access to leadership positions and gender-positive corporate policies in developed markets. While all of these are important for progress on gender equality, the potential uses of capital for gender bonds could be broader. Interestingly, missing from the market are companies that provide goods and services which disproportionately benefit women, or bonds which look at women in the issuer's supply chain. Some examples of activities which could be funded through gender bonds but are not currently addressed are listed below. It should be noted that the degree of commerciality of these activities varies and some are better suited to the public sector.

Commerciality



- Access to affordable menstrual hygiene products.
- Access to affordable healthcare and products/services addressing women's health (e.g. MobileODT: an affordable, transportable screening device for cervical cancer).
- Access to affordable energy and water. While these are often tackled by other labels, such as sustainable development, they do have female-specific impacts (such as removing the need for women and girls to fetch water or cooking fuel) and can lead to productive capability when combined with productive assets (fridges, phones, etc.).
- Women's mobility and safety in public, in the home and in the workplace.
- Women's unpaid care and domestic work burdens.

³ IFC Social Bond Impact Report 2018.

In creating a new instrument which looks to deliver a certain type and level of impact, there is always a tension between impact and commerciality. In the early stages of sector development it is important to make sure that there is wide uptake of the instrument, which at times results in less impact than originally intended. Over the longer term, however, it is important to ensure that increasingly rigorous requirements are put in place to determine the impact of these instruments, and eventually their additionality. This is something that must be specifically addressed for gender bonds, due to the varied range of 'eligible' activities which can credibly be labelled as advancing gender equality.

The degree of transparency around the use of proceeds and impact of gender bonds today varies significantly, and so does the degree to which additionality is addressed. This is likely due to the lack of a dedicated set of standards for gender bonds. The prevalence of microfinance in gender bonds is understandable, as it addresses an important empowerment angle: economic empowerment. However, few bonds today go beyond the 'loans disbursed' metric and look at the impact on women's lives and livelihoods. Similarly, for corporate behaviour bonds, it is not always clear whether the companies being lent to are required to improve on their current performance, and if so, how and at what rate.

Recommendations

Overall, in order to grow the market, there is a need for further guidance on what a gender bond is and what uses of proceeds qualify. As demonstrated by other themed bonds, especially green bonds, the availability of credible reference standards broadly accepted by market stakeholders would allow:



Issuers to have a clear understanding

of whether they could issue a gender bond and what benefits this might bring, without having to create their own definition or justification for the gender label.



Investors to have a degree of comfort

that the investment they are making is credible and meets 'market standards', which in turn diminishes the need for them to develop potentially complex internal metrics and analytic capabilities specifically for this sector.

By making it easy for both investors and issuers to understand what a gender bond is, the potential for market growth increases significantly.

Any standards or criteria developed should look to define both eligible activities (the 2X Challenge has started doing this for GLI more broadly) and what is expected of gender bonds in terms of transparency and reporting. Aligning with the Social Bonds Principles regarding the issuance process and expectation could make growing the market substantially easier. Requiring that bonds be verified by an independent opinion provider would also significantly improve credibility.

Practical considerations for issuing a first gender bond in SSA

While the sector could significantly benefit from the creation of dedicated standards, guidance or eligibility criteria, there are a few basic requirements which potential corporate issuers should seek to meet in order to credibly issue a gender bond in the near term:

1

Availability of credible investment strategy or project pipeline: does the issuer have access to 'assets' (this could include activities, not just traditional assets such as loans) which could credibly be labelled as 'gender positive' (i.e. which disproportionately benefit women)?

2

Economic viability: does the size of the portfolio and investor interest warrant the potential additional cost of a gender-labelled issuance?

3

Enabling factors: is the local capital market (or the market where the issuer wishes to operate) equipped to support a gender bond issuance (e.g. previous thematic issuances and understanding of the approach by underwriters, legal firms, stock exchange etc.)?

4

Issuer and sponsor credibility: investors are able to accept more complexity in use of capital if the issuing entity is a trusted market participant with an issuance track record, as the market grows this will become less relevant.

While the first criterion is crucial, criteria 2, 3 and 4 can be supplemented by external entities such as DFIs or development agencies interested in supporting gender equality through the capital markets. Support can take a number of forms, including:

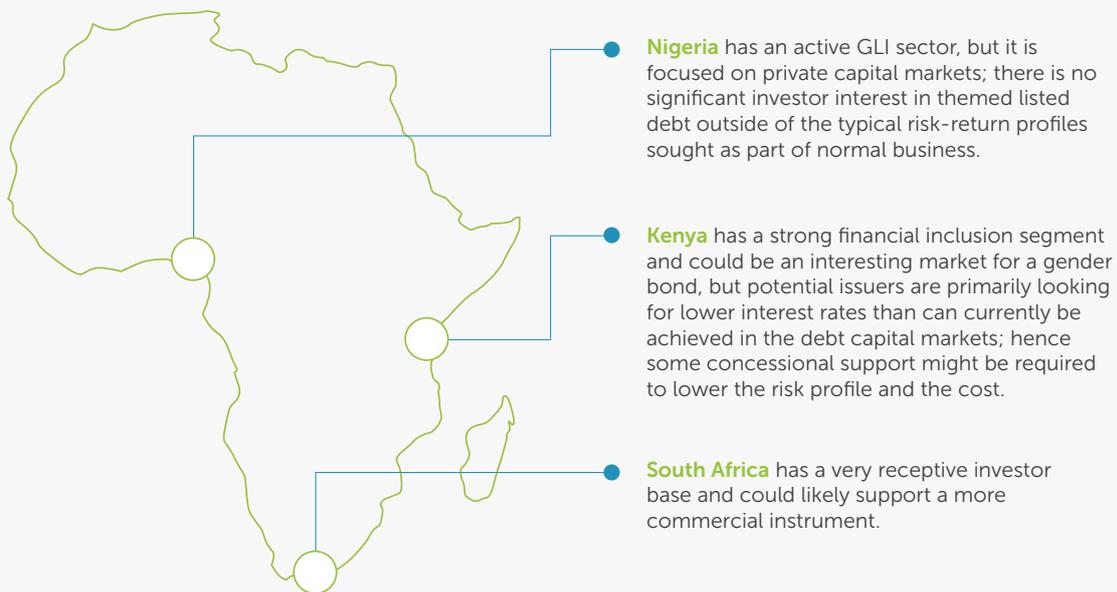
- **Technical assistance in issuing** (including funding for consultants, portfolio identification, legal support, etc.), thus removing the additional cost of issuing a labelled bond.
- **Anchor investment in the issuance** (or sole investor) this provides the issuer with comfort that there is a buyer for their efforts, and investors with comfort that the issuance and issuer are credible.

Potential for gender bonds in SSA

While there is already some demonstrable interest in gender lens investing, no gender bond has been issued in SSA to date. As part of the market assessment, we focused on the countries with the most developed capital markets and most likely chance of success in the short and medium term: Nigeria, Kenya and South Africa. However, if there were interested issuers and investors in other SSA countries with functioning debt capital markets, a first issuance could also take place in those countries. It is important to note that, broadly, institutional investors across SSA are very conservative and there are limited pools of "mandated" thematic capital: thematic bonds are assessed alongside normal bonds and receive little or no benefit for the impact they deliver when investment decisions are made.

The degree of commerciality FSD Africa is looking for in a first issuance will have some bearing on the location of the issuance. Kenya could be an interesting market for a gender bond, but it is likely that this would need to receive concessional support in order to meet issuers' expectations of reduced cost of capital, and investors' risk-return profiles. South Africa, on the other hand, has a very receptive investor base and could likely support a more commercial instrument (no credit enhancement or DFI anchor investment). Nigeria has a very active GLI sector, but this is focused on the private capital markets (VC funds and private equity) without significant investor interest in themed listed debt, outside of the typical risk-return profiles they seek as part of normal business.

Figure 1: Summary of potential in SSA



Nigeria: Equality in access to capital and financial services has been on the national agenda for almost a decade, and a number of local FIs are already offering female-specific products. There is also a strong female-focused VC/PE movement, which is gaining momentum thanks to local female investors. There is less appetite for themed listed instruments, however: one of the potential issuers interviewed demonstrated interest in exploring the concepts of gender bonds. Similarly, institutional investors remain conservative and yield-focused, and there is a lack of themed strategies or demand for themed instruments.

Kenya: The country has a wealth of financial innovation, and would thus seem a good candidate for gender bonds (there are a number of women-focused MFIs, for example). However the debt capital markets have been at a standstill since 2017 due to a number of defaults which highlighted weaknesses in the regulation, and subsequent interest rate caps. This has resulted in issuers being reluctant to come to market. MFIs typically have access to concessional capital, thus the cost of capital which can be achieved through a bond issuance in Kenya in the current market is not attractive to them. Local investors are very conservative and remain doubtful of local corporate bonds, this results in high coupon expectations in the high teens at the time of writing plus tax exemptions. The investor focus is solely on credit quality and yield, thus no benefit is given to additional impact. Issuance could take place here given some concessional support by DFIs etc. but a purely private sector driven, commercial bond issuance is very unlikely in the near term.

South Africa: Of the three countries, this is where a commercial issuance may be most viable in the short term. The investor base in South Africa is sensitised to social issues and would be very receptive to a gender bond, with local themed investors being particularly interested. Issuers, however, are more tentative. Banks would be the likely first issuers due to the potential in their loan books, but they have relatively little interest in themed instruments without a tangible commercial benefit (i.e. premium on the bond). While one institution has indicated interest in exploring the topic, the majority of stakeholders interviewed were less enthusiastic. Additional engagement would be needed to bring an issuer to market, but following that, there would be significant appetite for the bond.

Recommendations to FSD Africa

While there is potential across both issuers and investors in SSA, issuance in a local market will not be straightforward outside of South Africa due to mismatched expectations and relatively conservative investors.

1

There is a role to play for FSD Africa in supporting issuers in coming to market with a credible gender bond. Given the early stage of the market, the appeal of issuing a gender bond may not be clear to issuers who may be reluctant to invest in developing frameworks or obtaining verification without a clear understanding of the benefit. FSD Africa could support the issuance by providing TA for these activities.

2

The issuer will need to be supported with knowledge and understanding of the sector. Most potential issuers, even those who have proven enthusiastic about the potential for a gender bond, are not familiar with what constitutes a credible gender bond. FSD Africa will need to support and educate the issuer, either through their own action or through a third party.

3

There may be a need to hold market engagement events that include investors alongside gender bond experts and potential issuers, in order to generate additional interest in, and understanding of, the instrument in the market.

4

The degree of commerciality FSD Africa wants to support will determine the geography of the issuance:

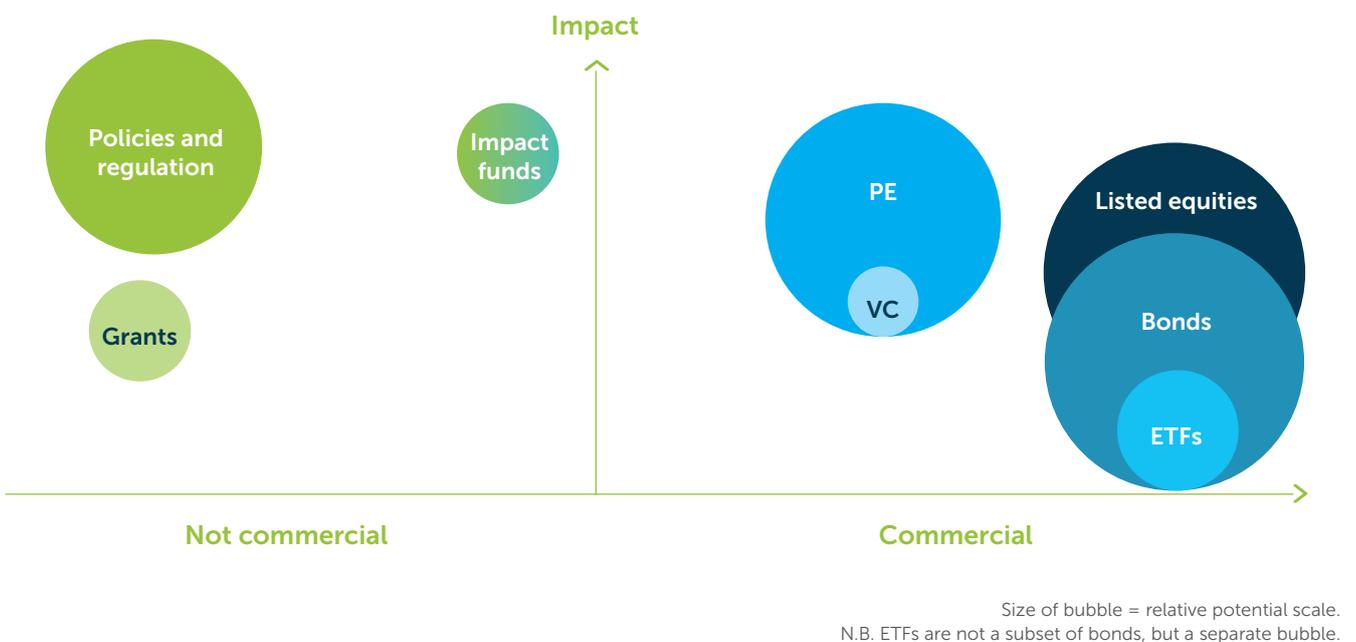
- If the focus is on supporting a truly private sector-driven issuance, then FSD Africa should target South Africa, where there are receptive investors and where potential issuers have been identified through the stakeholder engagement process.
 - If FSD Africa's commerciality requirements are less stringent, there could be an opportunity to engage with large blue-chip corporates elsewhere, for example in Kenya. In order to support an issuance in Kenya, however, a significant amount of support from FSD Africa, and potentially other entities, may be required as issuers will likely want to obtain a pricing benefit from the issuance, while investors will not make concessions on market rates. In this case, our stakeholder engagement has shown that potential issuers will be most responsive to being approached with a clear offer of support – for example an offer of pre-identified TA and a credit enhancement facility – rather than leaving such support to be determined through conversations with the potential issuer.
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1 | Gender bonds

Gender bonds are a relatively new ‘themed’ investment instrument, which combine debt with some level of impact on a predefined group of women’s lives. Themed investments allow investors to combine financial returns with impact on a particular theme, typically environmental or social. Gender bonds are relatively new additions to this space - only 13 have been issued to date - and the market is still relatively undefined.

Gender bonds are only one way of investing with a ‘gender lens’; more established approaches include direct equity investments through private equity or impact funds. Different instruments can provide different levels of impact and have different levels of commerciality and potential for scale, as shown below:

Figure 2: Potential impact and scale for different instruments in the gender equality space



1.1 Gender lens investing

The term ‘gender lens investing’ (GLI), coined by the Criterion Institute, refers to the incorporation of gender considerations into investment criteria and decision-making. GLI is based on the premise that investing in companies that promote gender equality through their internal policies or through their business activities is not only morally responsible, but can lead to higher financial returns. More broadly, GLI can also include market-wide considerations on gender, such as incidence of violence against women in a given country, which some research has shown to be better indicators of instability than treaties for example.

⁴ Gender Lens Investing Initiative: <https://thegiin.org/gender-lens-investing-initiative>.

According to the Global Impact Investment Network (GIIN), GII can be defined in two ways:

1. Investing with the intent to promote gender equality by selecting:

- Women-owned or women-led enterprises.
- Enterprises who promote gender equality through their business practices.
- Companies that substantially improve the lives of women through the services or products that they offer.

2. Investing using one of the following approaches to inform investment decisions:

- A process that focuses on gender, from pre-investment activities (e.g. sourcing and due diligence) to post-deal monitoring (e.g. strategic advisory and exiting).
- A strategy that takes into account the gender impact of the investees' vision or mission to address gender issues, based on the following:
 - organisational structure, culture, internal policies and workplace environment.
 - use of data and metrics for the gender-equitable management of performance and to incentivise behavioural change and accountability.
 - financial and human resources and the extent to which these signify overall commitment.

Intermediaries and other financial institutions have used these guidelines as a basis for designing new investment products across asset classes. There are gender-labelled products across several asset classes, including separately managed accounts, exchange traded funds, exchange traded notes, mutual funds, certificates of deposit and gender bonds. While the latter is the focus of this report, it is useful to be aware of the broader universe to see that there is growing investor interest. One example of investor-driven guidelines is the 2X Challenge, an initiative launched by the G7 DFIs, which is aimed at accelerating the rate of investment in women by mobilising \$3 billion in commitments from DFIs. The \$3 billion can in turn be used to leverage further investment from the private sector. In order to guide their investments, the 2X Challenge members created the following criteria, which are divided between those that apply to direct investments and those that apply to indirect investments, i.e. investments through intermediaries. Fulfilling just one of these makes an investment 2X eligible.

Direct criteria

1. Entrepreneurship:

1. Female share of ownership over 51%, or:
2. Business founded by a woman.

2. Leadership:

1. Share of women in senior management: the threshold here is variable depending on the sector. For example, an investment in the infrastructure, power or telecommunications sectors only requires 20% of leadership to be women. In healthcare or education, however, the threshold is 30%. Or:
2. Share of women on the board or investment committee: 30%.

Direct criteria (continued)

3. Employment:

1. Share of women in the workforce: again, recognising that women are underrepresented in certain sectors, the threshold in sectors such as infrastructure and power is low – 30% of the workforce must be women. In healthcare, education or light manufacturing, the threshold is set at 50%. And:
2. At least ‘one quality indicator’ must be met, such as a policy or programme addressing barriers to women’s quality of employment (e.g. wage inequality, lack of childcare, discrimination/harassment), with evidence that these programmes are being implemented.

4. Consumption:

1. Product or service specifically for, or which disproportionately benefits, women.

Indirect criteria

Investments through financial intermediaries:

1. On-lending facilities: at least 30% of the DFI loan proceeds must support businesses that meet the direct criteria, or:
2. Funds: at least 30% of the portfolio companies must meet the direct criteria.

It is important to note that the 2X Challenge recognises that these criteria are not static and that best practices for investing in women are constantly evolving.⁵ Further, the criteria list is meant to leave room for judgement and iteration: setting the bar too low risks ‘pink-washing’ investments while setting it too high might discourage investees from trying to fulfil the criteria. Finally, the initiative also encourages its members to apply these criteria to reorient existing investments towards women.

The case for investing in gender equality

Aside from the moral imperative that dictates women should be given the same opportunities as men and thus equal access to goods, services, finance and opportunities, GLI is based on the premise that investing by taking into account gender factors can lead to improved returns. Research has shown that:

- Companies that have more women in management roles generally perform better on the stock market and are more profitable than companies with male-dominated management teams.⁶
- Gender-diverse firms outperform their competitors,⁷ and firms with at least 30% female leadership can expect to add one percentage point or more to their net margin.⁸

⁵ 2X Challenge, Background Document to Criteria and Governance Framework, October 2018.

⁶ Credit Suisse, Reward for Change; A. Perryman, G. Fernando, A. Tripathy, Do gender differences persist?; BCG, How diverse leadership boosts innovation.

⁷ McKinsey, Our Insights: Delivering Through Diversity.

⁸ Peterson Institute for International Economics, Is Gender Diversity Profitable? Evidence from a Global Survey, 2016.

- Firms with more women at the top experience ‘innovation intensity’ and produce on average 20% more patents than those with men at the top.⁹
- If women participated in the economy at the same rate as men, we could add \$28 trillion or 26% to annual global GDP by 2025.¹⁰

A gender lens can be applied to a portfolio by selecting companies that promote gender equality through their internal policies or through their business activities. While women in leadership positions is not the only way to create a gender-inclusive portfolio, the research above has been carried out to show the upside for investors looking for a financial return when considering gender equality in their portfolio companies.

1.1.1 Existing DFI and development agency initiatives

The development community plays a significant role in the GLI space in emerging economies, with a number of active initiatives to encourage growth in this space. The 2X Challenge (made up initially of the G7 DFIs plus others who have joined since inception), the DFI Gender Finance Collective (14 DFIs plus EIB, chaired by the CDC), the MDB Gender Working Group, and the GenderSmart Investing Summit are part of this gender finance ecosystem. USAID, DFAT, DFID, Global Affairs Canada, and other development agencies have all been involved in supporting initiatives to stimulate the market for gender lens investing. The goal of these actors, networks and initiatives is to catalyse investment in companies with a strong gender integration approach, with a particular focus on the developing world and achieving the UN’s sustainable development goals.

Table 1: DFI initiatives in the gender lens investing space

Initiative	Organisation	Geography	Main objectives
EIB ShelInvest	European Investment Bank	Africa	To mobilise €1 billion of investment that can benefit millions of women across Africa through better access to finance and by making sustainable infrastructure services and products work for them. ¹¹
Affirmative Finance Action for Women in Africa (AFAWA)	African Development Bank	Africa	AFAWA will provide financing and technical assistance to female entrepreneurs, and work to improve the business environment to enable women to fully participate in the private sector. ¹²
2X Challenge Initiative	DFC (previously OPIC), CDC, FinDev Canada and other DFIs	Global	The 2X Challenge calls for the G7 and other DFIs to mobilise \$3 billion for gender-smart investments by the end of 2020. ¹³
Women Entrepreneurs Opportunity Facility (WEOF)	International Finance Corporation (IFC) and Goldman Sachs 10,000 Women	Global	WEOF is a first-of-its-kind global finance facility for female-owned enterprises. So far it has invested \$1.45 billion in financial institutions across 33 countries. ¹⁴
Women Entrepreneurs Finance Initiative (We-Fi)	Housed in the World Bank but works with AfDB, ADB, IDB, EBRD, Islamic Development Bank and World Bank Group	Global	We-Fi has \$354 million from 14 governments to scale up access to finance, markets, networks, mentors and information for female entrepreneurs. It is also assisting governments in creating enabling environments for women in business. ¹⁵

⁹ CNCB, Companies with more female executives make more money – here’s why (article quotes University of Arizona survey).

¹⁰ McKinsey, The Power of Parity: How Advancing Women’s Equality Can Add \$12 Trillion to Global Growth, 2015.

¹¹ EIB ShelInvest - new initiative to mobilise €1 billion for women across Africa.

¹² Why AFAWA? <https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/afawa-affirmative-finance-action-for-women-in-africa/why-afawa>.

¹³ 2X Challenge <https://www.2xchallenge.org/press-news/2019/8/23/2x-challenge-g7-development-finance-institutions-mobilize-close-to-25-billion-to-global-womens-economic-empowerment>.

¹⁴ IFC & Goldman Sachs 10,000 Women: Investing in Women’s Business Growth: https://www.ifc.org/wps/wcm/connect/dda519ef-ef2b-4bf4-910f-38d669ceddb7/WEOF_Report%2312-final.pdf?MOD=AJPERES&CVID=mTqacil.

¹⁵ Women Entrepreneurs Finance Initiative: <https://we-fi.org/mission/>.

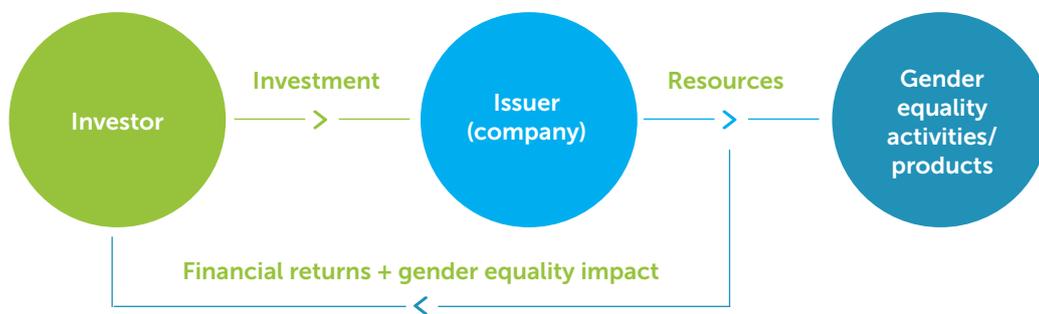
1.2 Defining gender bonds

Gender bonds can be broadly defined as bonds that support the advancement and equality of women. However, there is no official or universal definition, hence currently there is a strong reliance on precedent rather than rules. Gender bonds have been issued by a variety of entities, from large commercial banks to NGOs, as well as multilateral development banks. Each of these bonds are justified by the issuer as 'gender bonds' in different ways, funding different types of efforts and activities and benefiting different groups of women, and with more or less transparency in terms of use of proceeds and impact on women.

1.2.1 Gender bond mechanism and structure

The fundamental requirement of a gender bond is illustrated in figure 3 below.

Figure 3: Basics of a gender bond



Gender bonds in general try to combine beneficial outcomes for women with a debt instrument. The link between the bond proceeds, activities, benefit and cashflows to repay the debt can be structured in a number of different ways. Bond instruments require cashflows to repay the debt, and these cashflows can come directly from the eligible activities (in this case activities benefiting women) or from other business activities of the borrower.

Investment products such as bonds can be used to support gender equality in two ways:

1. Investment in companies offering a service or product which disproportionately benefits women – e.g. dedicated loans or affordable maternal care.
2. Investment in a company or country which supports women's equality through internal actions and policies.

These two approaches are very different. The first is more akin to the way a green or social bond might work, where the proceeds of the bond are used for a defined purpose linked to the gender criteria: to finance a product or service that provides a direct and tangible output for women.

The second is less easily categorised, as the borrowers are eligible on the basis of their actions and policies, but don't necessarily need to use the bond proceeds for gender-positive activities (these may not apply to their business). For example, a large paper and pulp firm may qualify as an appropriate investee if they have gender-equitable policies in place or have a gender-balanced board or senior leadership team – or even, in some cases, subscribe to compacts which promote gender equality but don't necessarily require enforcement. These kinds of bonds may be viewed more as 'PR rewards' for companies or countries demonstrating gender-equitable workplace policies and practices. This having been said, activities which can significantly benefit low-paid and unskilled workers could fall within this category, such as free sanitary pads and good-quality separate toilets in the workplace, access to career progression, safe transport to and from the

place of work, appropriate family leave, etc. All of these would advance gender equality in the workplace and broader empowerment goals. However, it is important to note that the bonds issued thus far which reference internal company policies have focused primarily on leadership positions and broad adherence to ‘compacts’, rather than on specific activities and policies implemented within the selected firms (the QBE bond being the exception, as described in the following sections). We believe this type of issuance is one where there could be potential for increased impact and transparency.

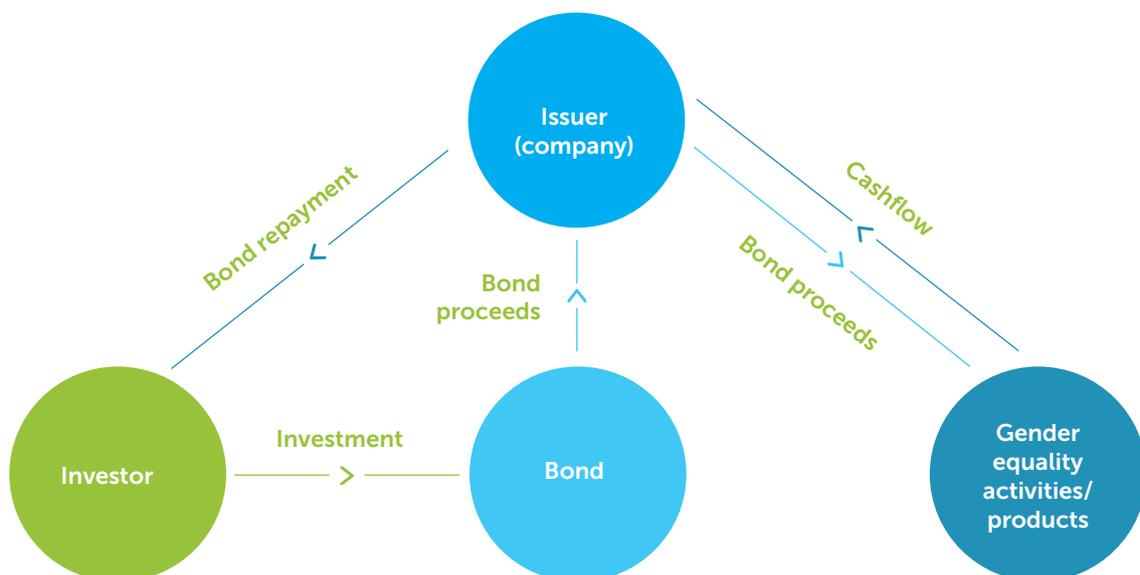
Further, the second approach can be compared to the recent evolution of the use of ESG. Increasingly, investors care about companies’ ESG scores, and a company with a strong score is rewarded by being eligible for investment by more investors than one with a lower score. This does not mean that the companies must produce products or services that target the environment or social impact; only that they behave in a way that meets good ESG standards of operation. If the pool of capital that cares about ESG scores is large enough, this can force the market towards greater adherence to ESG standards. The same could be done with gender equality: if a large enough pool of capital cares about the gender policies and practices of companies they invest in, companies could be forced to review their operations and meet higher standards.

Figure 4 below illustrates the two main approaches to structuring a gender bond today. In the first, the proceeds of the bond are used for activities which directly impact the livelihoods and wellbeing of a wide range of women and girls. In the second, the proceeds of the bond can be seen as more of a ‘reward’ for implementing good internal policies, but the business activities of the company may have no link to women’s empowerment.

1

The bond proceeds are used to finance a ‘gender-eligible’ activity, such as lending to female-owned SMEs or companies which produce affordable menstrual health products. The cashflows produced by the activity can be used to pay back the investor. This is more aligned with how green and social bonds work today. This can be structured as a securitisation or covered bond, where the investor takes the direct asset risk of the underlying portfolio. This could be done, for example, in the case of a loan portfolio – or as a senior unsecured instrument - where the investor is exposed to the issuer’s balance sheet as a whole, but proceeds are ringfenced internally for the specified activities.

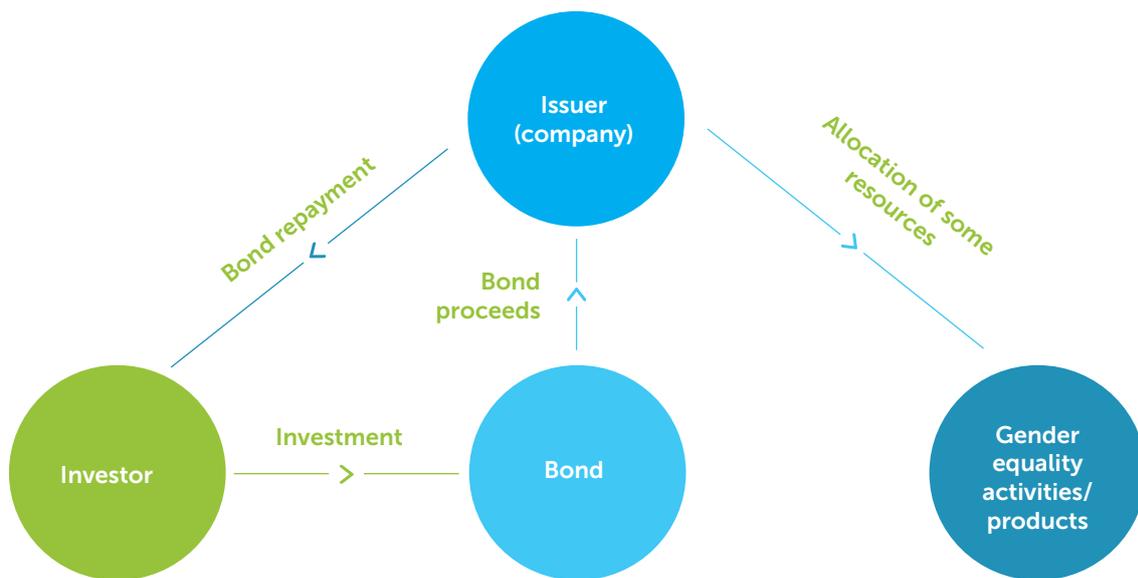
Figure 4: Bond cashflows for a ‘use of proceeds’-type structure



2

The proceeds are not necessarily earmarked for a specific activity, but the company implements some internal policies that render it eligible for 'gender financing', e.g. signing up to the UN Women's Empowerment Principles or being highly scored by Equileap. The activities may or may not have cashflows associated with them – e.g. if the focus is internal policies, these will not generate cashflows, though they may improve performance in the long term. The bond is repaid through general cashflows of the company.

Figure 5: Bond cashflows for a 'non-use of proceeds'-type structure



1.2.2 Economic empowerment

Greater economic empowerment, through access to finance for female-owned SMEs, is arguably one of the more straightforward gender impact pathways to combine with an investment instrument such as a bond. However, there are a number of ways to advance gender equality through a broad women's economic empowerment lens, including:

	<p>Access to capital for SME owners.</p>
	<p>Education for girls.</p>
	<p>Corporate behaviour (such as women's access to positions of leadership).</p>
	<p>Access to products and services which respond to unmet needs of women and girls – such as access to menstrual health products and protection from violence - and improve their livelihoods and resilience to shocks - such as sustainable agriculture, clean energy, microcredit and microinsurance products.</p>

Some of these are actionable through direct investment, others require policy changes – either at corporate or at government level.

1.2.3 Standards – the status quo

As previously highlighted, there is no universal definition for gender bonds, nor a universally adhered to reference framework. Gender bonds issued to date have used a number of different approaches and reference points:

Standards referenced depend on the issuer's preference:

- Many gender bonds refer to the Social Bond Principles, but not all do so. Some also refer to the SDGs (SDG 5 specifically), and some bonds don't reference external standards, guidelines or principles at all – such as the First Women's Livelihood Bond which adheres to standards developed internally by the Impact Investment Exchange (IIX).
- The criteria provided for gender lens investing by the GIIN are also relatively broad, and thus the criteria for including an asset (such as a loan) in a gender bond are equally varied, resulting in a large range of possible portfolio activities.
- While the 2X criteria exist, they have yet to be referenced by a gender bond.

Use of proceeds of the bonds has been varied:

- There is some flexibility in the interpretation of eligible uses of proceeds given that there are no established standards for gender bonds. Even within the Social Bond Principles there is ample room for different types of eligible activities, from financial inclusion to implementation of internal policies.
- In a number of bonds issued to date, the focus has been on access to finance through SME loans to female-owned enterprises or microcredit for women.
- Some gender bonds interpret the use of proceeds categories in the SBPs more broadly and invest the proceeds in companies that have made a commitment to gender equality by signing up for an initiative like UNWEP, or by being recognised by a gender equality research organisation like Equileap (See Box 2 below).

Level of direct impact achieved and target beneficiary group is not always made explicit but largely falls within the first three buckets below:

- Investments in companies that have achieved gender parity at the leadership level (board and executive) can have a positive impact on the quality of the company as a workplace for women (although the use of the bond proceeds may or may not be directly linked to that).
- Investments in companies which subscribe to (and implement) gender equality initiatives which directly impact the experience of female employees of that company (whether executive or factory floor).
- Investments in microfinance institutions that lend to female entrepreneurs who would otherwise be shut out of the financial system can have an impact on the lives of those women and their families (as well as an indirect benefit for their communities and countries).
- Investment in companies that provide services and goods which disproportionately benefit, or are disproportionately used by, women (here proceeds are linked directly to business activity).

Box 2. Equileap Gender Equality Scorecard

Equileap offer a gender equality scoring mechanism for publicly listed companies, which can be used by investors to build financial products with a gender lens. From 2011 to the present, they have gathered data on over 3,500 companies in 23 developed countries and also in Kenya, to produce their Gender Equality Scorecard. The Kenya report offers a ranking and a comparative analysis of gender equality across all 60 listed companies in Kenya, which are some of the largest employers in the country.

Using the information gathered by Equileap researchers, companies are scored on gender equality based on 19 criteria across 4 themes:



**Gender balance
in leadership and
workforce.**



**Equal compensation
and work-life
balance.**



**Policies promoting
gender equality.**



**Commitment,
transparency and
accountability.**

Indicators include gender balance in the workforce, in senior management and on the board of directors; any gender pay gap that exists; the availability of parental leave; and incidences of sexual harassment. These indicators provide investors with gender equality data from the board room to the supply chain. (Note that most of the Equileap data is for mid-cap and large-cap companies and is not equally distributed globally, and that companies who do not report get an automatic F on any criteria.)

The Equileap Gender Equality Scorecard has been used for the QBE Gender Equality Bond. The scorecard is data collection-intensive and needs to be regularly updated as companies provide new information on their progress towards gender equality in the workplace. However, it does take the burden of assessing eligibility and monitoring compliance away from the issuer.

Reference standards used by issuers to date

Reference standards provide investors with the ability to assume a degree of diligence has been done already. For example, no bond investor reassesses the credit rating of every bond they purchase: a rating agency has used standardised approaches to do this already. Without globally accepted reference standards, investing in gender-labelled bonds can be difficult for mainstream institutional investors. They are forced to analyse and justify each issuance individually, which requires the investor to assign resources to the task – and this means additional expenditure. It puts a similar onus on issuers who must look to define eligibility without clear guidance. This constrains expansion of the market.

The reference standards and principles used to date are varied and not always fit for purpose. While many of the outstanding gender bonds reference the SBPs, a number also reference SDG 5 ('Achieve gender equality and empower all women and girls').

The Social Bond Principles

The Social Bond Principles provide an outline of broadly eligible activities and associated beneficiary groups, as well as issuance requirements, but they do not explicitly refer to gender – although this is widely accepted as within their scope. Social project categories include, but are not limited to, providing and/or promoting:

- Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy).
- Access to essential services (e.g. health, education and vocational training; healthcare; financing and financial services).
- Affordable housing.
- Employment generation, including through the potential effect of SME financing and microfinance.
- Food security.
- Socioeconomic advancement and empowerment.

Examples of target populations include, but are not limited to:

1. Those living below the poverty line.
2. Excluded and/or marginalised populations and/or communities.
3. Vulnerable groups, including as a result of natural disasters.
4. People with disabilities.
5. Migrants and/or displaced persons.
6. The undereducated.
7. Those who are underserved, owing to a lack of quality access to essential goods and services.
8. The unemployed.

SDG 5: Achieve gender equality and empower all women and girls

SDG 5, on the other hand, gives no guidance as to the requirements for an issuance or specific activities which qualify as advancing gender equality. It only outlines the broad outcomes which it is trying to enable in the gender space:

- 5.1** End all forms of discrimination against all women and girls everywhere.
- 5.2** Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation.
- 5.3** Eliminate all harmful practices, such as child, early and forced marriage and female genital mutilation.
- 5.4** Recognise and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate.
- 5.5** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.
- 5.6** Ensure universal access to sexual and reproductive health and reproductive rights as agreed in accordance with the Programme of Action of the International Conference on Population and Development and the Beijing Platform for Action and the outcome documents of their review conferences.
- 5.A** Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.
- 5.B** Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women.
- 5.C** Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels.

Women's empowerment principles

The UN Women's Empowerment Principles have also been quoted as a reference. These, however, are very high level and do not provide clear guidance on which activities are eligible or what is required for a credible issuance.

- Principle 1:** Establish high-level corporate leadership for gender equality.
- Principle 2:** Treat all women and men fairly at work – respect and support human rights and non-discrimination.
- Principle 3:** Ensure the health, safety and well-being of all women and men workers.
- Principle 4:** Promote education, training and professional development for women.
- Principle 5:** Implement enterprise development, supply chain and marketing practices that empower women.
- Principle 6:** Promote equality through community initiatives and advocacy.
- Principle 7:** Measure and publicly report on progress to achieve gender equality.

Figure 6: Presentation of two different gender bonds

Bond: Gender Equality Bond Issuer: QBE Insurance (Australia)	Bond: Women's Livelihood Bond Issuer: Impact Investment Exchange (Singapore)
Example of use proceeds: Commonwealth Bank of Australia	Example of use proceeds: Samic (microfinance lender in Cambodia)
Criteria for selection: Company must be signatory to UN WEPs and ranked in the top 200 companies in the Equileap Gender Equality Global Report Ranking	Criteria for selection: Impact enterprises or MFIs that: <ul style="list-style-type: none"> • are financially stable • are gender lens and livelihoods-focused • have strong client protection policies in place including responsible pricing
Example of gender equality policies: <ul style="list-style-type: none"> • Generous parental leave • Domestic and family violence emergency assistance programme 	Example of gender equality policies: Samic is expanding to underserved communities to help finance latrines and clean-water facilities
Reference standards: Social bonds principles	Reference standards: N/A

1.3 Review of gender bonds issued to date

Figure 7: Countries where gender bonds have been issued



The gender bond market today is small and very fragmented, though the bonds tend to take the form of ‘use-of-proceeds bonds’, i.e. those where the proceeds are ringfenced for a particular purpose which is declared ahead of issuance (green, social, sustainability bonds). As previously illustrated, issuances vary significantly, and so do issuers and investors. Other than a few large corporate issuances in Canada, Australia and Thailand, it is still a DFI-dominated market, with organisations like the IFC or IDB providing anchor investments or guarantees, or issuing the bonds themselves. The World Bank has been issuing bonds that target SDG 5 (‘Achieve gender equality and empower all women and girls’) and selling them to impact investors who would like to participate in the gender bond market, but also want the security that comes with a World Bank bond. In some cases, foundations, family offices or impact investors have also provided concessional capital for gender bonds. For example, the Rockefeller Foundation provided a first loss capital tranche for the second issuance of the Women’s Livelihood Bond Series. Governments are yet to participate in the gender bond market, although UN Women is in active discussions with governments to determine how the issuance of sovereign gender bonds can be used to support governments in building more equal and resilient economies and communities.

We can divide gender bond issuances into three broad categories:



‘Corporate behaviour’ gender bonds

These are bonds where capital is allocated on the basis of the borrower’s internal gender equality policies and practices, rather than for specific activities or projects that benefit women. Issuers have used the proceeds of such bonds to lend to companies which are performing well on gender as per some external standards – such as UNWEP or are highly rated by Equileap – or metrics such as the proportion of women on the board. Companies which subscribe to relevant standards or have made gender-equality commitments have also been eligible¹⁶. So far corporate behaviour gender bonds have been issued in the Global North, where the focus on women’s economic empowerment has tended to be defined by access to leadership positions. These bonds have been issued under the Social Bond Principles and received second-party opinions from Sustainalytics.

¹⁶ Pental Group, Furthering Gender Equality: Next Generation Bonds.

'Financial inclusion' gender bonds

These are bonds that have typically been issued in emerging and frontier markets (or referencing activities in these markets), where the focus is on women's economic empowerment and on closing the financing gap for women through access to finance. Some, though not all, reference the SBPs.

Multilateral and DFI social- or SDG-labelled bonds

A number of multilateral development banks and DFIs have issued labelled bonds – SDG-aligned or social bonds - which include gender-focused uses of proceeds. The degree to which these bonds disclose specific investment information and the reference standards they use varies across issuers. These bonds are not a focus of this report due to their issuers not being in the private sector, but this is not a comment on the bonds themselves. IFC's social bond programme, for example, while not labelled as a gender bond scheme, has earmarked \$1.84 billion for on-lending to female-owned SMEs¹⁷ through its Banking on Women initiative.

Gender bonds which fall into the corporate behaviour and gender financial inclusion categories are shown in Table 2 and Table 3 below.

Gender bonds and microfinance

As shown in Table 3 below, there has been a strong link between gender bonds and microfinance to date. The vast majority of gender financial inclusion bonds use the bond proceeds to on-lend to MFIs that have female-focused programmes, or to lend directly to female-owned enterprises. While access to finance for women and women entrepreneurs is a hurdle in many countries, it is not the only way to positively impact women in emerging market contexts, as we will outline in Section 1.4. It is, however, a relatively easy way to incorporate gender into bonds for the following reasons:

- Microfinance is an established sector and well understood by lenders and investors.
- Issuers can retroactively identify loans to women or female-owned enterprises within their portfolios and ringfence these for a gender bond.
- Access to finance is easily understood by investors to be beneficial.

Box 3. Microfinance and its use as a means of empowerment

Tackling poverty: The few truly entrepreneurial women are above the poverty line

Microloans can be more beneficial to borrowers living above the poverty line than to borrowers living below the poverty line.¹⁸ This is because the vast majority of entrepreneurs below the poverty line (i.e. those who own and/or operate of their own businesses) are caught in subsistence activities. Most have no paid staff, own few assets, and operate at too small a scale to achieve efficiencies, and so make very meagre earnings. As a result, this group tend to take out conservative loans that protect their subsistence, and rarely invest in new technology, fixed capital or the hiring of labour. At times, they can become trapped in indebtedness.

Tackling empowerment: More than money is needed

Microfinance alone provides access to capital for women, however in many cases this is not sufficient to truly deliver economic empowerment. The context within which those women live and operate their small businesses must also be taken into account. It has been shown, for example, that in some cases loans to women have led to an increase in domestic violence. This should not prevent lending to women, but rather it should inform the design and structure of the tools and programmes in place to do so.

¹⁷ IFC Social Bond Impact Report 2018.

¹⁸ David Hulme and Paul Mosley, *Finance Against Poverty* (London: Routledge, 1996).

Box 3. Microfinance and its use as a means of empowerment (continued)

Microfinance can be an effective tool in tackling access to business loans, but the programme design and corollary activities (training for borrowers, community engagement, etc.) are just as important as the lending itself.

Going beyond entrepreneurs

It is important to note that MFIs also offer non-business loans, which can be used by women to access goods and services such as housing improvements, cleaner cooking equipment, mobility, education, water, sanitation and energy. While these do not lead to increased business production, they can improve women's lives and livelihoods.

Table 2: Corporate behaviour gender bonds

Name of bond	QBE Gender Equality Social Bonds	CIBC Women in Leadership Bond Framework	NAB Gender Equality Social Bond
Name of issuer	QBE Insurance Group	Canada Bank	National Australia Bank
Type of issuer	Corporate	Corporate	Corporate
Year issued	2017	2018	2017
Maturity	Perpetual bond, callable after 7.5 year	2021	2022
Currency	AUD	CAD	USD
Country	Australia	Canada	Australia
Size of issuance (USD)	\$400 million	\$769 million	\$384 million
Standards	Social Bond Principles	Social Bond Principles	Social Bond Principles
Second-party opinion	Yes, positive opinion by Sustainalytics	Yes, positive opinion by Sustainalytics	Yes, positive opinion by Sustainalytics
Issuance type	Listed bond	Listed bond	Listed bond
Use of proceeds	<p>The proceeds will be used to finance or refinance bonds that are issued by companies that fulfil the following requirements:</p> <ol style="list-style-type: none"> 1. The company is a signatory to the United Nations Women's Empowerment Principles. 2. The company is recognised as one of the top 200 ranked companies in the Equileap Gender Equality Global Report and Ranking. 	<p>The proceeds will be used to finance or refinance loans to companies that have, through action or policy, demonstrated a commitment to women in leadership positions. The Framework provides two criteria which will determine if a corporation is eligible to receive loans financed by the social bond proceeds; in order to be deemed an eligible asset, both must be met:</p> <ol style="list-style-type: none"> 1. One of the following: <ul style="list-style-type: none"> • At least 30% of board positions are held by women. • At least 30% of executive positions are held by women. • Company is a signatory of the Catalyst Accord 2022. 2. A minimum of one woman on each of the board and the executive. 	<p>The proceeds will be used by NAB to lend to organisations that have been awarded the Employer of Choice for Gender Equality citation (EOCGE) by the Workplace Gender Equality Agency (WGEA). Organisations that have received the EOCGE citation are recognised by the WGEA as having demonstrated leading practices that promote the achievement of gender equality in Australian workplaces.</p>

Table 3: Financial inclusion gender bonds

Name of bond	Women's Livelihood Bond	Women's Livelihood Bond 2	Chile Women's Bond	Turkey Women Entrepreneurs Bond	IDB Gender Bond in Panama	Thailand Women Entrepreneurs Bond
Name of issuer	Women's Livelihood Bond by Impact Investment Exchange Asia (IIX) – WLB Asset	Women's Livelihood Bond by Impact Investment Exchange Asia (IIX) – WLB Asset	Banco Estado	Garanti Bank	Banitsmo (subsidiary of Bancolombia)	Bank of Ayudhya (also known as Krungsri)
Type of issuer	Impact enterprise	Impact enterprise	Local publicly owned bank	Local bank	Local bank	Local bank
Year issued	2017	2020	2016	2018	2019	2019
Maturity	2022	2024	2026	2024	2024	2026
Currency	USD	USD	USD	USD	USD	USD
Country of issuer	Singapore	Singapore	Chile	Turkey	Panama	Thailand
Countries where proceeds can be used	Regional - Asia (Philippines, Cambodia, Vietnam)	Cambodia, Sri Lanka, India, Indonesia	Chile	Turkey	Panama	Thailand
Size of issuance (USD)	\$8.5 million	\$12 million	\$147 million	\$75 million	\$50 million	\$220 million
Standards	N/A	Social Bond Principles	None, but Banco Estado developed a social bond framework following this issuance that will cover multiple social bonds.	IFC Social Bonds Criteria	Social Bond Principles	Social Bond Principles
Second-party opinion	N/A	Yes, positive opinion by XII Foundation	N/A	N/A	Yes, positive opinion by Vigeo Eiris	Yes, positive opinion by Sustainalytics
Issuance type	Listed – 60% of investors through private banking, rest impact investors.	Listed – investors include institutional investors with impact interests (Nuveen) and impact investors (Blue Orchard).	Private placement in the Japanese market. 25% of the notes were allocated to insurers, 37.5% to banks and 37.5% to specialised lenders. All of the notes were placed with accounts based in Japan. ¹⁹	Private placement – IFC purchased the full \$75 million as part of its Banking on Women programme.	Private placement – IDB purchased the full \$50 million.	Private placement, with a \$150 million subscription from IFC and a \$70 million subscription from DEG.

¹⁹ <https://bondsloans.com/news/case-study-banco-estado-clinches-two-firsts-with-jpy-women-bond>

Name of bond	Women's Livelihood Bond	Women's Livelihood Bond 2	Chile Women's Bond	Turkey Women Entrepreneurs Bond	IDB Gender Bond in Panama	Thailand Women Entrepreneurs Bond
Use of proceeds	The proceeds are used to finance loans to microfinance institutions and social enterprises that are focused on women's empowerment. The recipients then use the loans to on-lend to female-driven or female-focused enterprises.	The proceeds are used to finance loans to microfinance institutions and social enterprises that are focused on women's empowerment. The recipients then use the loans to on-lend to female-driven or female-focused enterprises.	The proceeds are used to support Banco Estado's Crece Mujer Emprendedora programme, which was launched in 2015. The programme supports women entrepreneurs as a distinct segment, with the aim of reducing the credit access gap, improving management competencies for business growth, and strengthening social and business networks. The programme provides a series of financial and non-financial products that target women, including a web portal, technical assistance and training.	All the financing raised through the bond issue will be earmarked for on-lending to Garanti Bank's female-owned small business clients. The bond issue is expected to boost the number of the bank's female-owned small business loans by up to three times over the next five years.	The proceeds are used to finance or refinance loans to female-owned SMEs.	The proceeds will be used to refinance existing or new facilities that fund social projects in the following categories: Employment generation through female-owned SME financing and microfinance for women. Socioeconomic advancement and empowerment for women through financing for low-income women and disadvantaged female groups.

Note: One ADB Gender Bond and four World Bank (IBRD) Sustainable Development Bonds that specifically target gender equality outcomes or reference SDG 5 were also issued, but were not included in the analysis above. The bonds finance World Bank and ADB projects as part of wider activities.

Table 4: DFI-issued gender bonds

Name of bond	Year	Issuer	Country	Standards	Use of proceeds	Type of issuer	Size of issuance	Size in USD (Jan 2020)	Maturity (years)	Investors
SDG 5 Bond	March 2019	World Bank - IBRD	Various countries	Social Bond Principles	SDG 5-compliant activities	MDB	\$4 million	4 million	3	Impax Asset Manager
SDG 5 Bond	November 2019	World Bank - IBRD	Various countries	Social Bond Principles	SDG 5-compliant activities	MDB	\$5 million	5 million	5	Treehouse Investments LLC
SDG 1+2+5	March 2019	World Bank - IBRD	Various countries	Social Bond Principles	SDG 1, 2 and 5-compliant activities	MDB	IDR 500 billion	36 million	5	Macquarie lead investor
SDG 3+5 Bond	January 2019	World Bank - IBRD	Various countries	Social Bond Principles	SDG 3 and 5-compliant activities	MDB	CAD 1.5 billion	1.16 billion	3	43 investors, including Addenda Capital, Manulife Asset Management and Sun Life
ADB Gender Bond	November 2017	ADB	Various countries	Social Bond Principles	Projects that promote gender equality and women's empowerment	MDB	NZD 130 million	82.3 million	3	Dai-ichi Life

1.4 Comment on gender bonds issued to date

The current universe of gender bonds is small and, as discussed above, the types of activities which constitute eligible gender investments are varied. This is in part attributable to the different ways in which one can have an impact on women's economic empowerment, and in part to the non-prescriptive nature of the Social Bond Principles, the SDGs and the GIIN GLI definition, which leave ample room for interpretation. The 2X Challenge Criteria (See Section 2.1) go further than the other existing references by providing clear eligibility requirements to qualify as a 2X investment. These have not, however, been used in the gender bonds space thus far. On the other hand, the bonds issued to date all focus on two criteria: lending to female-owned or female-led businesses (whether large firms in developed markets or SMEs/self-employed women in developing countries), or lending to businesses who aim to or already address gender equality. No bond has yet tackled products and services for women nor women in supply chains to a significant extent – though the WLB 2 is looking to focus more on this.

It is important to note that different bonds will target different aspects of women's empowerment and different populations. While this is a perfectly acceptable proposition, bond issuers should be clear about both the impact they are seeking (and how this will be achieved) and who they are benefiting (i.e. which women).

1.4.1 Additionality and reporting

Transparency on impact and evidence of additionality need to be improved in the gender bond space. Looking at the corporate behaviour bonds, for example, it is clear that in order to qualify, investees must commit to a number of initiatives and accords that focus on the advancement of women to leadership positions within the firm or address workplace policies and practices to improve working conditions for women. However, it is unclear whether the investees actively look to improve on their status quo, and what pace of progress would be deemed too slow. Further, while overall a positive approach, these often don't look beyond the executive level and thus miss any impact on less senior female employees in the company, as well as women within the broader value chain. The additionality in advancing women's economic and workplace equality that these bonds constitute is thus unclear.

Aside from the additionality of a given activity compared to a precedent, the link between the activity being financed and the long-term impact on the 'end user' needs to be made more explicit. Bonds which finance on-lending to female-owned SMEs, for example, measure impact by the number of loans made to women, but little is explained about whether this was truly additional, and what the longer-term impact that accessing these loans is having on women's livelihoods. Clearly the bond is delivering on its mandate to enable on-lending, but it is not made clear whether this is more on-lending than would have previously taken place, or if the lending is taking place on better terms for women, or whether women are being more specifically targeted, etc. The degree to which microfinance ultimately significantly impacts these women's livelihoods is also not clarified sufficiently in most cases.

The link between the justification for the use of the label 'gender bond' and the impact of the activities financed must be made more transparent, and more data is needed to understand the impact on the intended outcomes. In the case of the corporate behaviour bonds, for example, it is unclear whether lending to these companies is in fact changing internal attitudes towards women in senior positions, encouraging the companies to improve their record across key policies and practices, or actually helping more women up the career ladder.

While these issues do not mean that these bonds are not delivering impact, it is difficult to understand whether they are delivering impact beyond 'business as usual' for the intermediaries (companies and MFIs), and how much additional impact they are delivering to the 'end beneficiaries', i.e. women. It may be that these bonds are purely enabling issuers to provide positive reinforcement to already better practices, thus aiming in the long run to make the case that those with greater gender equality will demonstrate decreased risk or increased financial outcomes.

1.4.2 Types of beneficiaries

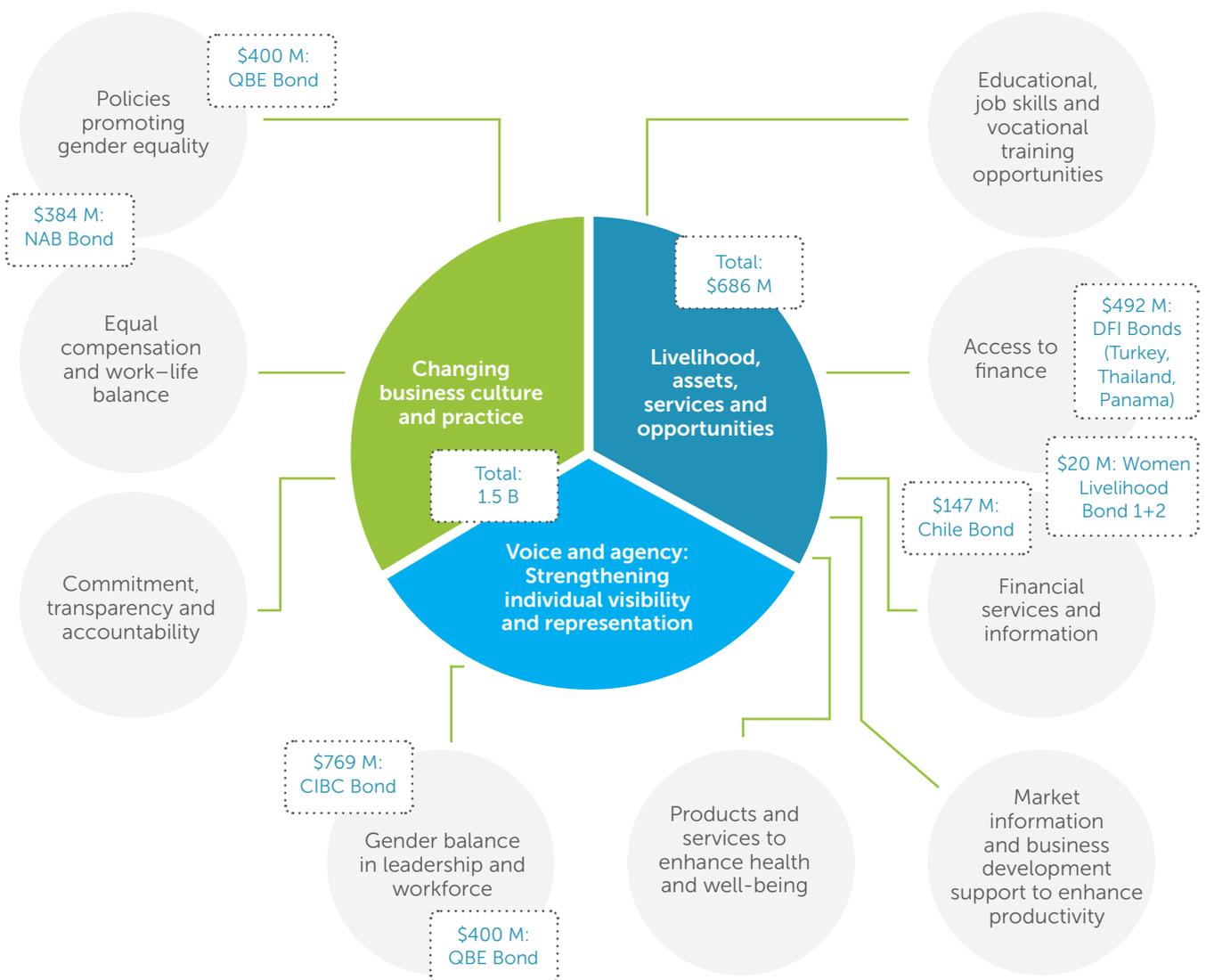
The group of beneficiaries targeted by gender bonds is not always explicit and can be diverse. In financial inclusion gender bonds, for example, the beneficiaries tend to be women who rely on microfinance or on purchasing goods from social enterprises, implying that these beneficiaries are likely to be in the lower (if not lowest) income brackets - though a clear indication of the income levels of the borrowers is not always provided. In the case of corporate behaviour gender bonds, on the other hand, the beneficiaries are primarily female employees in large companies in the Global North, and hence can be expected to be living on relatively high salaries. Thus the beneficiaries of these two types of bonds are completely different groups. While this does not mean that one type of bond is more impactful from a gender equality perspective than the other, it does highlight the need for issuers to be explicit about who they are targeting as beneficiaries, such that investors can best align the outcomes with their own priorities.

1.4.3 Uses of proceeds and what is not being addressed

Gender bonds that finance services and products for women are missing from the landscape. The analysis reveals that the focus has been very much on two aspects of gender equality and inclusion:

1. On-lending: Either lending to MFIs which on-lend to SMEs, or lending to women entrepreneurs or female-owned businesses - \$686 million allocated to date.
2. Corporate behaviour loans: Using the bond proceeds to lend to companies which subscribe to particular gender principles or are highly rated by Equileap on the basis that they promote gender equality within their firm through their policies and actions (e.g. proportion of women in leadership positions) – the corporate behaviour bonds – \$1.5 billion allocated to date.

Figure 8: Distribution of gender bond proceeds to date



While women’s leadership and access to finance are key aspects of gender equality, gender bonds could conceivably be used to finance or encourage other activities as well. Specifically, access to products and services that actively improve both the economic and non-economic (e.g. health) aspects of women’s lives could be further represented in the market.

Not all of these activities would align strongly with a corporate issuance, and having fewer commercial activities may be better suited to a sovereign issuance, for example. Some of the potential eligible activities include:

Commerciality



- Loans to companies that enable access to affordable menstrual hygiene products.
- Loans to companies that enable access to affordable healthcare and products/services addressing women's health (e.g. MobileODT: an affordable, transportable screening device for cervical cancer), or loans to maternal health units in clinics.
- Access to affordable energy and water.²⁰ While these are often tackled under other labels, such as sustainable development, they do have female-specific impacts. They remove the need for women and girls to fetch water or, in the case of energy, lead to productive capability when combined with productive assets (fridges, phones, etc.).
- Women's mobility and safety in public, in the home and the workplace.
- Women's unpaid care work burdens.

Some of these products, services and activities are outlined in more detail in Table 5 below.

Within the access to finance space, on the other hand, greater focus on female-tailored products could be encouraged through gender bonds. Providing access to financial products is the first step in the economic empowerment ladder, but the products being offered must be tailored to the target customer in order to ensure that the access leads to a positive outcome. In the case of women, this usually means taking into account the following:

- **Business capabilities:** women running SMEs or subsistence businesses may never have had the opportunity to receive training or even advice on how to run their business, and thus may not know how to best use a given loan.
- **Access to information:** women may occupy a separate social sphere to men in the local community and thus may not have access to the same type or frequency of information.

Practically, these considerations can be translated into business actions, which may help with addressing the gender credit gap:

- Increasing the number of female loan officers (including those who speak different languages where the language of 'official business' is not the mother tongue of a large number of potential clients).
- Having 'women-only' hours at convenient times for women, or offering different opening hours on certain days that accommodate gendered time constraints.
- Offering mobile loan services, so that women who have limited mobility (for whatever reason) can more easily access loans. These could be available on certain days in places that women often frequent, such as marketplaces and healthcare facilities.
- Providing materials for low/no-literacy populations, for example simple videos inside financial institutions that explain the loan process and loan requirements through visuals with accompanying verbal explanations.
- Providing simple and practical information on how to get the necessary documents, and staff who can assist clients in this process.
- Ensuring that banking staff are aware of, and are actively seeking to address, their own gender biases. These are often hidden, and financial institutions need to make concerted efforts to address them.

²⁰ It is widely recognised that women in developing countries bear the burden of water collection, which can significantly impact their ability to work and, in the case of girls, to obtain an education.

Table 5: Activities pertaining to women's empowerment

Select barriers	Which women does this most affect and where?	Description	Examples of how a company can address this through their internal policies and actions	Examples of how a company can address this through their business activities	Examples of how a company can address indirectly
Poor sexual and reproductive health	Women of reproductive age (15–49 years). Primarily in developing countries.	Lack of adequate reproductive and sexual health knowledge, or access to products and services that support sexual and reproductive health.	Workplace empowerment programmes that improve women's health knowledge Access to goods and services, e.g. SRH literacy, access to affordable contraception and menstrual health products.	Manufacturing and sale of affordable sexual health/ menstrual hygiene products Provision of affordable and accessible sexual, reproductive and menstrual health services – such as clinics	Investing and partnering to enable NGOs, community organisations and business partners to promote women's sexual and reproductive health along the value chain.
Financial exclusion	Female business owners and entrepreneurs (including those in company value chains), female consumers, female employees. Globally.	Lack of access to capital (investment) or other financial services	Digitised wage systems through financial wallets to enable women to receive and control income safely. Financial literacy training.	Create and offer appropriate (accessible and affordable) and relevant financial products and services designed for women Offer non-collateralised loans (addresses poor property and land ownership) Tailor application processes and opening hours to account for poor literacy and childcare	Investing and partnering to enable NGOs, community organisations and business partners to promote women's financial inclusion.
Safety and mobility in public	Women of all ages in the workplace and in value chains. Globally, but with greater prevalence in low-income settings (poor infrastructure) and conservative environments.	Safety and mobility in public are key drivers of women's economic empowerment, and poor and unsafe transport infrastructure are major constraints to women's economic participation.	Provision of transport to and from work in areas where transport infrastructure is poor/ unsafe. Investment in relevant local infrastructure, e.g. street lighting.	Provision of transportation services with a demonstrable focus on safety, such as: female-run taxi services, female-run group transport services, or services designed/offered with women's needs in mind. Businesses in the transportation value chain who are focused on safety	Larger companies and business coalitions can advocate to government for improved infrastructure and transport services, e.g. street lighting and safe public transport systems.
Unpaid care work	Girls and women of all ages in the workplace and in value chains, but in particular girls and women with young children. Globally.	Lack of products, services and infrastructure that mitigate time spent on domestic work.	Provision of childcare on-site. Good parental leave policies.	Affordable childcare services; Products and services that reduce women's unpaid work burdens, such as clean water, solar power, fuel-efficient stoves, etc. including affordable loans	Larger companies and business coalitions can advocate to government for improved infrastructure (e.g. water and electricity connections, state-supported childcare).

Select barriers	Which women does this most affect and where?	Description	Examples of how a company can address this through their internal policies and actions	Examples of how a company can address this through their business activities	Examples of how a company can address indirectly
Workplace discrimination (lack of workplace equality and protection)	Women of all ages in the workplace. Globally	Workplace inequality and lack of workplace protection. At present, women worldwide still get paid 23% less than men and, at the current rate of change, pay parity is unlikely to be achieved before 2069.	Provision of a living wage, flexible working hours, and parental leave. Addressing the gender pay gap and undertaking a gender audit. Training and upskilling that consider both hard and soft skills. Implementing confidential grievance and complaints procedures. Training managers and supervisors to raise awareness of the harmful effects of violence and harassment and how to prevent them.	Proactive programs to increase procurement from female-owned businesses.	Larger companies and business coalitions can advocate to government for better workplace equality and workplace protection laws.
Violence against women and girls (VAWG)	Girls and women of all ages in the workplace and in value chains.	Domestic violence and gendered power dynamics between management and workers.	Compliance with the ILO Convention and Recommendation (C190) on Violence and Harassment in the World of Work (2019). Anti-sexual harassment policy that explicitly condemns sexual harassment and gender-based violence. Working directly with male employees to shift attitudes and behaviours related to VAWG.		

1.5 Practical considerations for issuing a gender bond

Like other thematic debt instruments, issuers may be motivated to issue a gender bond as a means of expanding their investor base or to access cheaper capital. The first benefit, is reflected in the relative premium on thematic bonds in the secondary markets for many issuers., It is a result of the growing investor focus on environmental, social and governance factors, but pricing benefit at issuance is not assured. For issuers in SSA, however, where there may be interest in attracting new sources of capital, thematic instruments can prove an effective tool – predicated, however, on the credibility of the label.

Dedicated standards or principles are necessary to guide issuers and investors

The sector would significantly benefit from the creation of dedicated guidance principles or standards, inclusive of eligibility criteria and issuance process guidance. FSD Africa could look to support the development of such reference standards. A guiding document that describes which activities or assets could qualify for financing through a gender bond, and provides guidance on how to implement a credible issuance, is necessary in order to encourage issuers to enter the sector. Principles and standards are equally important to investors, who may not have in-house expertise in the gender space and will need to look to these to determine if a bond is generally accepted to be a credible gender bond. While the Social Bond Principles are too vague to offer guidance on the types of eligible activities which credibly qualify for a gender bond, they provide excellent guidance on the issuance process and the type of information and structure that is required:

<p style="font-size: 2em; margin: 0;">1</p> <p style="margin: 0;">Use of proceeds</p>	<p style="font-size: 2em; margin: 0;">2</p> <p style="margin: 0;">Project selection and evaluation</p>	<p style="font-size: 2em; margin: 0;">3</p> <p style="margin: 0;">Management of proceeds</p>	<p style="font-size: 2em; margin: 0;">4</p> <p style="margin: 0;">Reporting</p>
<p>Issuers are required to state the activities that will be financed through the proceeds of the bond.</p>	<p>The Social Bond Principles require issuers to outline in their pre-issuance framework how projects or activities are selected for inclusion in the bond.</p>	<p>Issuers are required to outline how proceeds of the bond will be tracked to ensure they are employed as per the framework.</p>	<p>Issuers are required to report on the use of proceeds and related impact regularly, and when possible are encouraged to use quantitative reporting rather than qualitative.</p>

Further to this, the Social Bond Principles encourage the issuer to obtain a second-party opinion (from a credible specialist firm) to verify that their bond and the associated framework comply. The above would form a solid basis for any issuance going forward.

With regards to eligible activities, however, the market would benefit from clearer guidance. This could be done in conjunction with ICMA or through an independent group of market participants, but it must include key stakeholders such as large underwriters, large DFIs, and asset managers. The guidance should focus on which types of activities qualify for financing through a gender bond and how the impact should be measured.

Key requirements for issuance in the short term

Practically, we believe that there exist some key basic criteria which need to be met in order to credibly issue a gender bond in the near term:

Availability of credible investment strategy or project pipeline	Does the issuer have access to 'assets' (this could include activities, not just traditional assets such as loans) which could credibly be labelled as 'gender positive' (i.e. which disproportionately benefit women) and which are appropriate for a debt product OR does the issuer meet internal criteria for issuance, e.g. score highly on gender policies and activities?
Economic viability	Does the size of the portfolio and investor interest warrant the potential additional cost of a gender-labelled issuance?
Enabling factors	Is the local capital market (or the market where the issuer wishes to operate) equipped to support a gender bond issuance (e.g. previous issuances and understanding of the approach by underwriters, legal firms, stock exchange, etc.)?
Issuer and sponsor credibility	While this may seem obvious, investors are able to accept more complexity in use of capital if the issuing entity is a trusted market participant with an issuance track record.

While the first criterion is crucial, criteria 2, 3 and 4 can be supplemented by external entities such as DFIs or development agencies interested in supporting gender equality through the capital markets. Support can take a number of forms, including:

- **Technical assistance in issuing** (including funding for consultants, portfolio identification, legal support, etc.), thus removing the additional cost of issuing a labelled bond.
- **Anchor investment in the issuance** (or sole investor) this provides the issuer with comfort that there is a buyer for their efforts, and investors with comfort that the issuance and issuer are credible.

Beyond the basic criteria listed above, we would argue that the issuance of new gender bonds, especially ones receiving DFI support, should strive to set a higher standard in impact reporting and transparency on use of proceeds. While the range of activities which positively impact women's equality is broad, there should be clarity in the market on the degree of direct impact which a given bond provides, and the type of beneficiary involved, as well as regular quantified reporting on the impact achieved. As is the case in the green and social bond markets, the use of independent verifiers, such as providers of a second-party opinion, should be encouraged in the gender bonds space.

In the case where the bond targets on-lending, access to data is a key issue which will determine the viability of a gender bond. In order to issue a credible gender bond, the issuer must define and justify the label, and how the underlying asset portfolio meets the required (even if self-determined) criteria. In order to identify the assets for the portfolio the issuer must have the relevant data available, whether that be the gender of board members or the nature of the business of a loan client. Without this data a portfolio cannot be credibly structured.

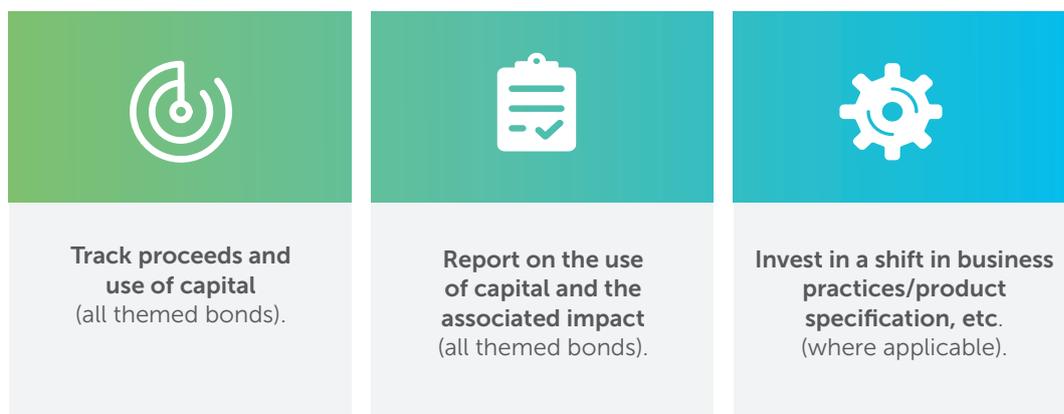
1.5.1 Criteria for success

Given the small and nascent state of the gender bond market, it is hard to define success by market response. There are only 13 of these bonds globally and the diversity in approach across these is significant (as discussed in the sections above). However, we can draw on the experience of the green bond market to identify aspects of issuances that investors will come to value as the market segment matures:

- **Standardisation of the instrument:** Adherence to standards or principles which provide a degree of assurance and comparability will significantly impact the market’s attractiveness to investors.
- **Regular reporting on impact and use of proceeds:** Investors in the themed green and social space have come to value regular reporting on the use of proceeds and particularly quantifiable impact where possible. Where economic empowerment is concerned, this could be as simple as showcasing the number of loans financed through the bond, however it would be more ambitious to demonstrate an increase in lending to female-owned businesses – as already pointed out by some sector analysts. In the case of loans, this could be taken further still to capture the impact of those loans on female borrowers, such as by looking at whether revenue has improved following the loan, or if the household has access to new services (including education), etc. We note, however, that developing, standardising and utilising these impact metrics will not be trivial.

It is important to note that, as with any nascent market or product, there is a tension between impact ambition and commercial viability. The simplest way to introduce a new product into a market is to make that product as similar to something already familiar as possible – both for issuers and for investors. Both of these groups want to minimise the effort required to issue or invest in the new product. As such, this can often lead to the first iterations of an instrument being relatively vanilla, before becoming more ambitious.

The degree of ambition of the bond may find trade-offs with investor appetite and companies’ willingness to issue. Often, more impactful activities may need cheaper capital – i.e. lower returns for investors – or more resource investment by the issuer. While this is not always the case, often, the more ambitious and impactful the activity financed by a bond the greater the effort that must be allocated to it by the issuer – and for that effort, the issuer is likely looking to obtain a discount on their cost of capital. Additional resources are required to:



For example: a bond whose proceeds are used to invest in companies that currently have good business policies and practices in place for female employees – e.g. as rated by Equileap – could qualify as a gender bond. It is easy to do because those companies already have good policies in place, but it does not improve their practices. A bond that invests in companies who ‘promise’ or ‘commit to’ changing their business practices and policies to improve gender equality is harder to issue, because it requires those companies to do something different or new – and further, it requires some way of measuring progress. That bond, if correctly executed, would be arguably more additional than the first example, but the issuer would need an incentive to go through the effort of changing its approach.

An example of the different levels of ambition and commercial viability is given in Table 6 below.

Table 6: Examples of different types of gender bonds and associated impact and commercial viability

	Level of ambition/ complexity	Example	Impact/additionality	Investor view	Issuer view
Entry level	Low	The fastest and easiest way to get a gender bond to market today would be to work with a bank to identify the existing loans to female-owned businesses on their books, group these together and issue a gender bond off the back of this.	Does not push issuer beyond business as usual: these loans would have been made regardless of the bond.	Easy to invest in: a senior unsecured instrument, take bank balance sheet risk, not direct SME risk.	Easy to issue: some additional costs due to tracking of proceeds and reporting, but fundamentally business as usual.
Next level up	Medium	This bond would take an existing portfolio of activities but layer it with targets, e.g. to increase the loan book to women by x% over the next three years.	This type of bond is more additional than the previous one because it builds on the current business to focus more on expanding women’s access to finance beyond what the issuer is providing today.	Easy to invest in: a senior unsecured instrument, take bank balance sheet risk, not direct SME risk, but would need to better understand the implications of not meeting the targets set.	Easy to issue but more effort in implementation: some additional costs due to tracking of proceeds and reporting, additional costs of redirecting business resources to increasing the female-owned loan book.
Further still	High	A bond that finances an activity which may not have been part of the company’s business before, e.g. a menstrual hygiene company launching affordable products or a bank lending at lower rates to female business owners in the SME sector.	This type of bond is highly additional as it creates a service or product previously not available to women.	Depends on the structure: this type of instrument would likely want a ‘premium’ for the market in order to warrant the issuer taking the new business risk or lowering prices – this could only be achieved through high demand from ‘mandated’ investors who value the label as much as the returns.	Depends on the structure: if a securitisation, then potentially harder than a normal corporate bond, but the difficulty is in the new business investment – the cost of capital would need to be attractive enough to justify this.

2 | Potential for gender bonds in SSA

2.1 Current efforts in SSA

Thematic bonds are gaining traction in sub-Saharan Africa; particularly green bonds, which have been issued in three countries across corporate, municipal and sovereign issuers. Over the past three years the continent has seen green issuances from the city of Cape Town, the Government of Nigeria, and initial corporate issuances in South Africa (Nedbank and Growthpoint), Nigeria (Access Bank) and Kenya (Acorn Housing). Efforts to develop the green bond market in Africa have been strongly supported by DFIs such as the AfDB, DFID, FSD Africa and the World Bank, among others; however, the market is still nascent, with issuances in the single digits.

Social bonds (including gender bonds) have yet to gain traction in Africa beyond the DFI space. There exist DFI programmes such as the IFC's Banking on Women, which lends to financial institutions providing financial services to female-owned businesses (as part of a larger goal of focusing on the underserved). This initiative is financed through the IFC's social bond programme, of which, while not labelled gender bonds, \$1.84 billion has been earmarked for on-lending to female-owned SMEs.²² Beyond this, however, there are no dedicated social or gender instruments available in the capital markets today. A South African company, Bayport Capital, did issue a social bond in 2019, but this was listed in Stockholm and attracted primarily international investors.

While there has been increased and significant focus on women entrepreneurs in SSA, particularly in Nigeria, this has developed outside the listed debt capital markets. There exist a number of networks and private funds focusing on providing access to capital for women entrepreneurs. In Nigeria, for example, Alitheia IDF Fund looks to invest in gender-balanced businesses, Aruwa – a woman-owned and led PE fund – has announced a new GLI fund, and commercial banks are already offering female-specific loan products. In Kenya, there are a number of microfinance institutions with a focus on lending to women, such as the Kenya Women Microfinance Bank. However, none of these entities have looked to the public markets for labelled finance yet.

2.2 Market potential in SSA

In order to support the issuance of a gender bond, countries need to meet some key criteria, which span DCM development and investor appetite. Availability of pipeline and investor interest are two key factors in a successful issuance, as without the former there is no activity or asset to finance with the proceeds, and without the latter there is nobody to provide the financing. While absolutely key, these two points are somewhat secondary to the practical, basic requirements for issuing a bond: a working debt capital market. If this work is to form the basis for eventual support for a gender bond issuance, then identifying geographies where a bond could realistically be issued in the short to medium term is important.

The high-level country selection criteria we have used are based on:

- A relatively developed debt capital market, with multiple potential investors and issuers (necessary). If the market is too shallow and dominated by government securities, an innovative instrument could fail to attract interest.
- A demonstrable interest in themed investments (very desirable): a market where a green or social bond has been successfully issued is more likely to have appetite for a gender bond.

²² IFC Social Bond Impact Report 2018.

A number of investors and relevant entities (underwriters, legal firms, stock exchanges) will already be familiar with the requirements of 'use-of-proceeds' bonds, making issuance easier and success more likely.

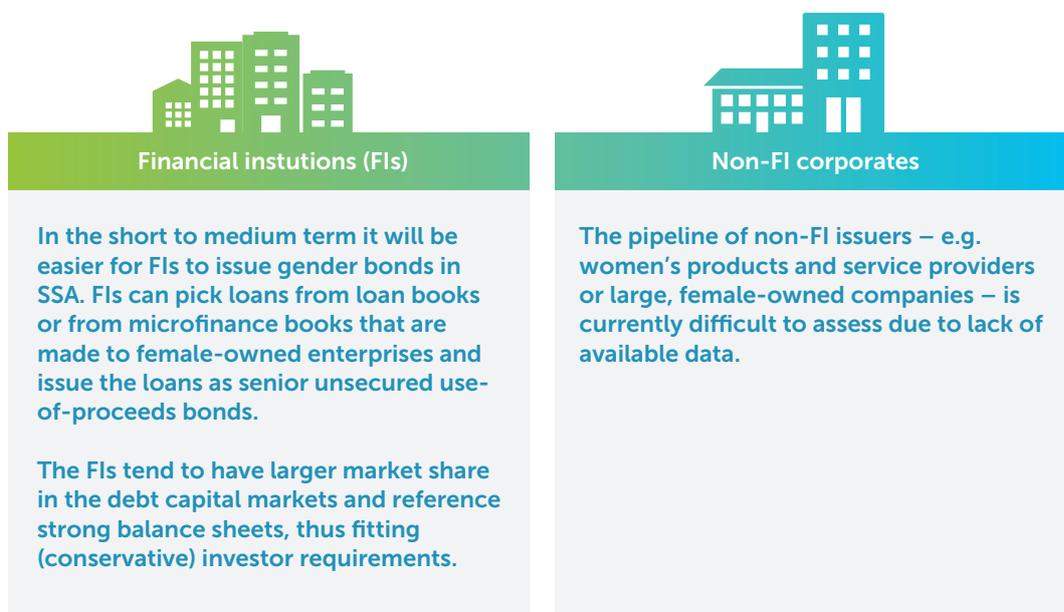
- Existence of some gender lens investing activity (desirable): a market where some investors are already using a GLI approach is likely to be more receptive to a gender bond.

It is important to note that institutional investors in SSA tend to be particularly conservative and favour vanilla and government bonds, thus engagement with asset buyers is important for the success of the bond. Institutional investors, such as pension funds, in SSA have strict regulation with regards to the types of assets they can hold. This, combined with relatively shallow capital markets, means that these entities primarily hold government bonds and vanilla, blue-chip corporate bonds. This investor landscape means that introducing more innovative products is not easy, and that early issuances will need to invest in investor education as well as tailor their offering to the local market preferences. South Africa does have a deeper and more sophisticated market, with relatively more diverse products on offer, and regulation that encourages the incorporation of ESG in investment decision-making and reporting (Regulation 28 and Code for Responsible Investing in South Africa).²³

2.2.1 Types of issuers and target investors

We can divide the potential issuers into two types: corporate and sovereign. To date, no sovereigns have issued a gender bond, but this doesn't mean it couldn't be done in SSA. However, the way in which the issuance would qualify as a gender bond would need to be further analysed. It is likely that the bond would need to be tied to policies and regulations or, for example, healthcare initiatives. There do exist sovereign green bonds; typically these are tied to infrastructure development – such as renewable energy – or green transport, which despite being services that can be provided by the state, have associated cashflows (electricity tariffs, and train and bus fares).

Within the corporate space we can further subdivide the potential issuers:



²³ Deloitte, The Relationship between CRISA and Regulation 28 of the Pension Funds Act and Integrated Reporting, 2014.

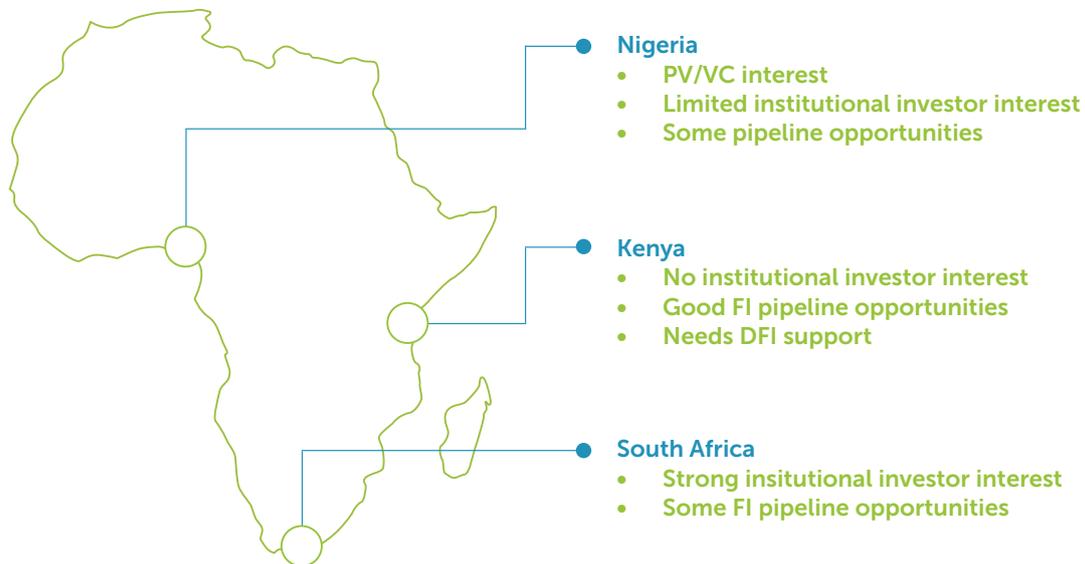
We can also split the potential target investors into two broad sets: local and international:

- SSA institutional investors are typically very conservative and buy to hold, meaning that local capital markets are dominated by large, blue-chip issuers and there is little secondary market activity.
- There is a lack of 'mandated capital' within the institutional investor space outside of South Africa, so gender bonds marketed locally will only be purchased on the merit of the credit and yield, with little to no regard given to the 'gender' aspect.
- International investors have more appetite for themed investments and new structures, but the risk profile of the issuances may not align with their investment strategies, given the relative risk rating of companies in SSA compared with developed markets, and especially where local currency is involved.
- On the other hand, if the issuance were to be in hard currency to appeal to international investors, this may make it harder to identify asset pipeline in SSA as it would further restrict the cohort of firms who could issue such an instrument.

2.3 Summary

In the country assessments we have focused on the countries with the highest potential for a successful issuance: Nigeria, Kenya and South Africa. These countries offer a mix of potential issuers, likely interested investors and relatively developed capital markets, which could lead to a successful gender bond issuance.

Figure 9: Summary of potential in SSA



Nigeria: Equality in access to capital and financial services has been on the national agenda for almost a decade, and a number of local FIs are already offering female-specific products. There is also a strong female-focused VC/PE movement, which is gaining momentum thanks to local female investors. There is less appetite for themed listed instruments, however: only one of the potential issuers interviewed demonstrated interest in exploring the concepts of gender bonds. Similarly, institutional investors remain conservative and yield-focused, and there is a lack of themed strategies or demand for themed instruments.

Kenya: The country has a wealth of financial innovation, and would thus seem a good candidate for gender bonds (there are a number of women-focused MFIs, for example). However the debt capital markets have been at a standstill since 2017 due to a number of defaults which highlighted weaknesses in the regulation, and subsequent interest rate caps. This has resulted in issuers being reluctant to come to market. MFIs typically have access to concessional capital, thus the cost of capital which can be achieved through a bond issuance in Kenya in the current market is not attractive to them. Local investors are very conservative and remain doubtful of local corporate bonds, this results in high coupon expectations in the high teens at the time of writing plus tax exemptions. The investor focus is solely on credit quality and yield, thus no benefit is given to additional impact. Issuance could take place here given some concessional support by DFIs etc. but a purely private sector driven, commercial bond issuance is very unlikely in the near term.

South Africa: Of the three countries, this is where a commercial issuance may be most viable in the short term. The investor base in South Africa is sensitised to social issues and would be very receptive to a gender bond, with local themed investors being particularly interested. Issuers, however, are more tentative. Banks would be the likely first issuers due to the potential in their loan books, but they have relatively little interest in themed instruments without a tangible commercial benefit (i.e. premium on the bond). While one institution has indicated interest in exploring the topic, the majority of stakeholders interviewed were less enthusiastic. Additional engagement would be needed to bring an issuer to market, but following that, there would be significant appetite for the bond.

Key sectors for impact in gender bonds in SSA:



Microfinance/lending to female-owned businesses:

There is a well-documented \$42 billion gender gap in access to finance in sub-Saharan Africa, both in terms of loans for businesses and financial services such as bank accounts. Supporting the creation of affordable and accessible financial products targeting women would have significant impact on women's livelihoods on the continent.



Agriculture – finance and land rights:

Women grow approximately 70% of Africa's food and almost half of the people employed by the agricultural sector in SSA are women, however, globally women own less than 20% of privately owned land. Products and services that enable female smallholders to improve their businesses, such as loans that don't require collateral (as women often don't, and in some areas can't, legally own the land they farm), potentially combined with access-to-market support and crops pricing information, could go a long way in improving the lives of a large number of women across SSA.



Access to water:

In eight out of ten households without piped water in sub-Saharan Africa, women and girls are responsible for collecting water. The impact of having readily accessible water on women's lives is multifaceted: from the ability to attain basic education, to having the time to gain employment. Lending products that enable households to gain access to water often directly impact women's livelihoods, as would (less obviously) loans to utilities for last-mile connections.



Access to services and products:

This is particularly pertinent in the healthcare space where, for example, maternal death rates remain significant in many sub-Saharan countries, or in access to menstrual hygiene products, which allow many young women and girls to complete their education. Lending to companies that deliver services or produce goods that disproportionately benefit women in this space would significantly improve many women's and girls' lives.



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