Blended Finance and the Gender-Energy Nexus: A Stocktaking Report

catalytic climate finance facility

A partnership between:

CLIMATE POLICY INITIATIVE

CONVERGENCE
BLENDING GLOBAL FINANCE

ACKNOWLEDGEMENTS

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About the CC Facility Learning Hub:

The Learning Hub is a knowledge-sharing platform that constitutes one of the main components of the Catalytic Climate Finance Facility (CC Facility), a partnership between CPI and Convergence. The purpose of the CC Facility is to accelerate the implementation of high-impact, ready-to-scale financial structures, filling a market gap in mobilizing private capital for climate action in developing economies. Drawing on CPI and Convergence's extensive data collection and research efforts, the Learning Hub offers knowledge sharing activities, capacity building, and research products that highlight new and existing evidence on best practices on advancing the implementation of financial vehicles that mobilize private capital for climate action and gender equality in developing economies.

This stocktaking report is the inaugural report of the Learning Hub.

The CC Facility and Learning Hub are a partnership between Climate Policy Initiative and Convergence.

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LIST OF ACRONYMS

Acronym	Meaning
AAA Framework	Affordable, Accessible, Appropriate Framework
aDALYs	Averted Disability Adjusted Life Years
AFOLU	Agriculture, Forestry and Other Land Use
ASEAN	Association of Southeast Asian Nations
BFA	Business Financial Associates
BCe	Black Carbon emission
BII	British International Investment
C2F	Canadian Climate Fund for the Private Sector in the Americas
CC Facility	Catalytic Climate Finance Facility
CEDCA	Clean Energy for Development: A Call to Action
CFDA	Climate Finance for Development Accelerator
CIB	Clean Impact Bond
CIF	Climate Investment Funds
CIO	Climate Investor One
CO2	Carbon Dioxide
COVID-19	Coronavirus Disease
CPI	Climate Policy Initiative
CTF	Clean Technology Fund
DAC	Development Assistance Committee
DFA	Development Finance Academy
DFI	Development Finance Institution
DIB	Development Impact Bond
ECs	Electric Cooperatives
EMDEs	Emerging Markets and Developing Economies
EPC	Engineering, Procurement, and Construction
ESG	Environmental, Social, and Governance
ESMS	Environmental and Social Management System
EUR	Euro
FMO	Dutch Entrepreneurial Development Bank
FY	Fiscal Year
G7	Group of Seven

Acronym	Meaning
GCF	Green Climate Fund
GDP	Gross Domestic Product
GGC	Green Guarantee Company
GHG	Greenhouse Gas
GOGLA	Global Association for the Off-Grid Solar Energy Industry
HDD	Historical Deals Database
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IFI	International Financial Institution
IDC	Industrial Development Corporation
IDRC	International Development Research Centre
IRENA	International Renewable Energy Agency
IRIS+	Impact Reporting and Investment Standards
IRR	Internal Rate of Return
KPI	Key Performance Indicator
LASURECO	Lanao del Sur Electric Cooperative, Inc.
LUPA	Local Utility Project Accelerator
MDB	Multilateral Development Bank
MFI	Microfinance Institution
MRV	Monitoring, Reporting, and Verification
OECD	Organization for Economic Co-operation and Development
PIDG	Private Infrastructure Development Group
PM	Particulate Matter
QH	Quality Hour
RE	Renewable Energy
RPS	Renewable Portfolio Standards
SDGs	Sustainable Development Goals
SIV	Social Infra Ventures
SLCPs	Short-Lived Climate Pollutants
SMEs	Small- and Medium-sized Enterprises
STEM	Science, Technology, Engineering, and Mathematics
TA	Technical Assistance
UK	United Kingdom

Acronym	Meaning
UN	United Nations
US	United States of America
USAID	U.S. Agency for International Development
USD	United States Dollar
US DFC	United States International Development Finance Corporation
VCUs	Voluntary Carbon Units
VCS	Verified Carbon Standard
WEPs	Women's Empowerment Principles
WOCAN	Women Organizing for Change in Agriculture and Natural Resources Management
W+ standard	Developed by WOCAN, the W+ Standard measures how companies, governments and individuals can drive social and economic empowerment for women across six domains: Time savings, Income & Assets, Health, Leadership, Education & Knowledge and Food Security.

EXECUTIVE SUMMARY

A just transition demands closing gender gaps to climate financing. There is growing evidence that women are well positioned to advance climate change mitigation and adaptation goals, and this is particularly true in achieving a just transition. Investing in initiatives that provide women the tools they need enhances climate resilience, spurs more climate innovation, and drives the creation of high-quality green jobs.[1] Despite its strong business case, gender-responsive climate finance remains scarce,[2] particularly in the energy sector. Many factors are responsible for this, including lack of familiarity and technical capacity to develop and incorporate gender considerations into the design of financial vehicles; perceived complexities relating to pursuing multiple impact objectives; and prioritization of other objectives with the perception that gender equality considerations are costly, risky, or incoherent/irrelevant.

Yet, transitioning towards a green economy offers a transformative opportunity to disrupt current gender imbalances—particularly within the energy sector, climate finance's largest sector and where private sector interest is highest. Climate Policy Initiative (CPI) reports that the energy sector represents 44% of all climate finance. Similarly, Convergence reports 47% of total blended finance flows in emerging markets and developing economies (EMDEs) are in the energy sector.

The energy sector faces unique challenges to gender equality. For one, the sector is associated with low female labor rates across the value chain. The International Renewable Energy Agency (IRENA) reports that 32% of jobs in renewable energy (RE) are held by women, and less than 11% when it comes to leadership roles in the sector. In construction, Inter-American Development Bank (IDB) Invest reports the proportion of formally contracted female workers ranges from just 1% to 6%.[3] This report shows that within the energy sector, there has been a higher focus on gender within the off-grid energy sector (28% of off-grid transactions had a gender focus compared to 13% of on-grid). This makes sense given the sector's association with household energy needs and domestic uses, where women tend to be more represented as both beneficiaries and end-users. It is also easier to measure gender outcomes in off-grid projects, using key performance indicators (KPIs) such as sales and access to off-grid technologies such as clean cooking appliances. Meanwhile, only 13% of large-scale energy transactions include a gender focus. The report also finds that this can be partially explained by some of the difficulties associated with project finance, where investors are removed from the underlying policies influencing gender, as well as difficulties mainstreaming gender both within technical and non-traditional roles. The table below summarizes gaps and opportunities to create gender-responsive strategies within RE transactions.

1 Georgetown Institute for Women, Peace and Security "Inclusive Adaptation: A Benefit Multiplier for Climate Action and Women, Peace and Security (2022); Bush SS, Clayton A. "Facing Change: Gender and Climate Change Attitudes Worldwide". American Political Science Review (2022); UC Berkeley Haas School of Business "Women Create a Sustainable Future" (2012); The Sasakawa Peace Foundation "Gender Diversity and Climate Innovation" (2020).

2 Defined here as climate finance that addresses women's specific needs, vulnerabilities, and supports women's capabilities to mitigate and adapt to climate change

3 IDB Invest "Making Women Welcome: the Next Challenge for Renewable Energy Construction Projects" (2022).

Table 1: Gaps and opportunities for gender-responsiveness across the RE value chain.

Gender Lens	Gaps	Opportunities
Women in Leadership & Governance	• Women hold less than 11% of leadership roles in renewables.	• Provide career advancement and targeted recruiting opportunities for women.
Workplace Equity	• Women hold only 32% of jobs in RE globally (despite making up 48% of the global labor force) but are underrepresented in technical positions (28%) and overrepresented in administrative roles (45%) that are often lower wage.	• Provide technical training and educational opportunities and raise awareness of social and cultural norms. • Implement and monitor zero tolerance policies and protocols for workplace discrimination and harassment. • Provide childcare services that enable women to take on more employment opportunities.
Gender-Smart Products & Services	• Products do not address gender-specific climate challenges or take into account women's consumer needs (e.g., one in three people still lack access to clean cooking facilities).	• Integrate a gender lens in product and service design to identify and address unmet energy needs in underserved communities.
Community Engagement	• Opposition to project development in local communities can pause or interrupt operations. • Local communities can face risks from project development such as gender-based violence.	• Consult communities and proactively design participatory sessions to promote the inclusion of women. • Build capacity on the importance of having clean, affordable, and reliable energy access. • Develop and implement a gender-sensitive Environmental and Social Management System (ESMS).

Source: *Soléco Energy & Deetken Impact Gender Engagement, 2024*

Increasingly, initiatives are arising to overcome these barriers, build technical capacity, and increase familiarity with investing in gender-responsive products. Blended finance is one approach that has successfully spurred capital into gender-responsive climate action in EMDEs, attracting private finance both to mitigation and adaptation sectors. Blended finance also offers useful financial tools to promote gender outcomes within the market. This includes the provision of early-stage acceleration grants to help business models incorporate gender considerations into the design of their financial vehicles; technical assistance (TA) to help fund managers and project sponsors create gender action plans and identify women-led pipelines; and performance-based incentives that offer financial benefits such as interest rate reductions for borrowers who meet gender targets.

This report aims to take stock of current practices in the gender-responsive climate blended finance market, with a focus on energy. The report is divided into three sections:

Part 1 begins with an overview of key data trends in the gender-responsive climate blended finance market, including across sectors, vehicles, regions, and investors. Key findings include the following:

- Out of the 551 climate blended finance deals in Convergence's Historical Deals

Database (HDD), only 22% were gender-responsive.[4] This is considerably lower than the overall trend in the blended finance market where 31% of the deals were gender-responsive.

- Although climate adaptation and hybrid (i.e. transactions that contain elements of both climate mitigation and adaptation finance) deals constitute a smaller portion of the overall climate blended finance market, they are more likely to be gender-responsive.
- Gender-responsive climate deals are largely driven by public investors in North America and Europe, with very few investments originating from local markets in developing regions. The top investors that focus on gender-responsive climate finance are multilateral development banks (MDBs) and development finance institutions (DFIs), followed by development agencies. In contrast, the proportion of private sector investors in these transactions remains lower than the public investors.
- Concessional debt or equity is the predominant blended finance archetype in gender-responsive climate blended finance deals (86% of transactions). Concessional loans, including performance or KPI linked loans tied to gender outcomes, are common tools to incentivize gender equity within climate blended finance vehicles. Similarly, TA funds are often used (39% of transactions), to help investees (in the case of fund structures) and deal sponsors (in the case of direct investments) streamline gender within their business operations and pipeline.

Part 2 examines five climate finance vehicles that used blended finance structures to support clean energy and gender outcomes. These case studies cover the following five transactions:

1. Green Guarantee Company (GGC)
2. Catalyst Fund
3. Local Utility Project Accelerator (LUPA)
4. Beyond Finance
5. Sistema.bio

Part 3 describes the main challenges and recommendations to increase gender-responsive investing within the climate blended finance markets. Key recommendations include:

- Concessional capital providers should provide acceleration support and design funding grants when assisting first-time deal sponsors to integrate a gender lens.
- It is good practice to deploy TA and financial incentives together to achieve complementary and coordinated goals.
- Practitioners should use TA to move beyond a "counting heads" approach to gender outcomes.

4 See "Methodology" for a description of gender scoring.

- Deal sponsors should seek opportunities to monetize the gender co-benefits of climate vehicles.
- Market research should focus on quantifying the market demand and pricing for gender benefits.
- Investors promoting gender outcomes within climate vehicles should consider equity as their instrument of choice.

METHODOLOGY

DEFINITION OF BLENDED FINANCE

Data analysis in Part 1 of this report is based on blended finance transactions captured by Convergence's HDD, the largest and most detailed database of historical blended finance transactions (capturing over 1200+ deals to date). Convergence defines blended finance as the use of concessional capital provided by public or philanthropic sources to increase private sector investment in sustainable development. Information is collected from i) credible public sources such as press releases, ii) information-sharing agreements with key data aggregators like the Organization for Economic Co-operation and Development (OECD), and iii) data validation exercises with Convergence members and partners.

To be included in Convergence's HDD, a deal must meet three main criteria:

1. The transaction attracts financial participation from one or more commercial investor(s) that would otherwise not have invested in the region/sector/project
2. The transaction leverages concessional capital in one of the following ways:
    a. Public/philanthropic investors are concessional within the capital structure
    b. Public/philanthropic investor provided guarantees or risk insurance
    c. Transaction design or preparation is grant funded
    d. Transaction is associated with a TA facility
3. The transaction intends to create development impact related to the Sustainable Development Goals (SDGs) in emerging or frontier markets, or directly impacts beneficiaries in emerging or frontier markets.

DEFINITION OF GENDER-RESPONSIVE CLIMATE TRANSACTIONS

This report draws on several definitions of gender-responsive climate finance:

Transactions analyzed in Part 1 of this analysis are classified in Convergence's HDD as aligned with climate- and gender-related goals according to the following criteria:

Firstly, transactions considered in this analysis were aligned with both SDG 5: Gender Equality, as well as at least one climate-related SDG, including: 2 (Zero Hunger), 7 (Affordable and Clean Energy), 11 (Sustainable Cities), 13 (Climate Action), 14 (Life Below Water), and 15 (Life on Land).[5]

Then, transactions are ranked as gender-responsive based on Convergence's own 3-point scale, which gives each blended finance transaction a gender score:

5 Note climate transactions are also manually evaluated by Convergence to ensure their relevance to the climate sector.

- 0 – No evidence for gender awareness: Gender equality and integration are not mentioned.
- 1 – Aware and counting: Gender equality and integration are mentioned, but there is limited mention between the transaction's design/functioning and gender equality outcomes.
- 2 – Intentional gender lens for impact: Gender equality is an explicit and primary objective within the transaction with well-understood gender-related opportunities and risks, and anticipated gender mainstreaming across most stages. There is a link between the transaction's design/functioning and positive gender outcomes.

Note that Convergence's baseline criteria for a score of 1 is at minimum the presence of sex-disaggregated data.

Transactions that achieve a score of 1 or 2, based on Convergence's assessment, are classified as "gender-responsive" in this analysis. Convergence's 3-point scale for assessing gender responsiveness was informed by the Gender Equality Coding System applied by Grand Challenges Canada, along with the Development Assistance Committee (DAC) gender equality policy marker and Global Affairs Canada's Gender Equality Toolkit for Projects. Convergence's evaluations of the transactions are based on publicly available information and data shared by investors and Convergence members.

Transactions analyzed in CPI's Global Landscape of Climate Finance, as reported in the Introduction of Part I, rely on self-reported data which comes mostly from the OECD database. The OECD uses the DAC gender equality policy marker, a three-point scale weighing if gender is a central objective to an investment.

For the analysis of instruments in the "Other Actors & Initiatives" section of Part I, gender-responsible climate finance instruments are defined as "financial solutions that have both the advancement of gender equality and addressing climate change mitigation and/or adaptation as core objectives," having a "direct impact on and specific outcomes for gender equality and women empowerment."

PART 1: GENDER-RESPONSIVE CLIMATE FINANCE MARKET TRENDS

Despite evidence that women are disproportionately impacted by climate change worldwide, gender-responsive climate action in blended finance transactions is limited. Moreover, quantifying flows is difficult due to the lack of a universal definition of gender-responsive climate finance, as well as a persistent lack of reporting on gender indicators for climate finance. This is due to both a lack of reporting on i) gender-specific indicators, and ii) sex-disaggregated data. CPI's 2021 Global Landscape of Climate Finance underscores these data challenges; the report identifies only 2% of climate finance as being gender-responsive, meaning that institutions have self-reported on the integration of gender considerations in their activities. Reporting on gender remains low across all types of climate finance, with the OECD being the only reliable source of gender-responsive public sector data. Reflecting these challenges, CPI's 2023 landscape report did not include an analysis of gender because data was too sparse to be meaningful.

Data on the gender-responsive climate blended finance market from Convergence's HDD is also sparse with only 22% of climate transactions being gender-responsive. Within the climate blended finance market, energy sector transactions have less often prioritized gender outcomes, despite being a larger market overall compared to other sectors such as agriculture. Only 14% of energy transactions were gender-responsive compared to 33% of agriculture transactions and 57% of health and education transactions. Given these data constraints, this report will consider all the gender-responsive climate transactions in its analysis, with an emphasis on the energy sector.

The following section draws on Convergence's proprietary database of blended finance transactions to deduce key trends driving the gender-responsiveness in the climate blended finance market. Transactions considered in this analysis have been evaluated based on Convergence's 3-point gender scale as highlighted in the methodology above.

1.1 OVERVIEW OF THE GENDER-RESPONSIVE CLIMATE BLENDED MARKET

Climate deals account for nearly half (49%) of the blended finance market in terms of deal count and 57% of aggregate financing, totalling 551 transactions valued at USD 121 billion. Yet, only 22% of all climate transactions in Convergence's HDD were gender-responsive, representing a total value of USD 25 billion.[6] As seen in Figure 1, a mere 5% of the climate deals in Convergence's database demonstrated intentional consideration of gender impacts (gender score 2).[7] This is considerably lower than the overall trend in the blended finance market, where 20% of all deals in Convergence's HDD received a gender score of 1, and 11% of all deals received a score of 2.

6 Convergence relies on public sources and information disclosed by investors. The lack of a global definition for gender-responsive climate finance used by investors limits tracking of gender-related finance and creates challenges in assessing the gender score for a deal and further limits the ability to provide a comprehensive picture of the gender-responsive climate finance market.

7 See "Methodology" for a description of gender scoring.

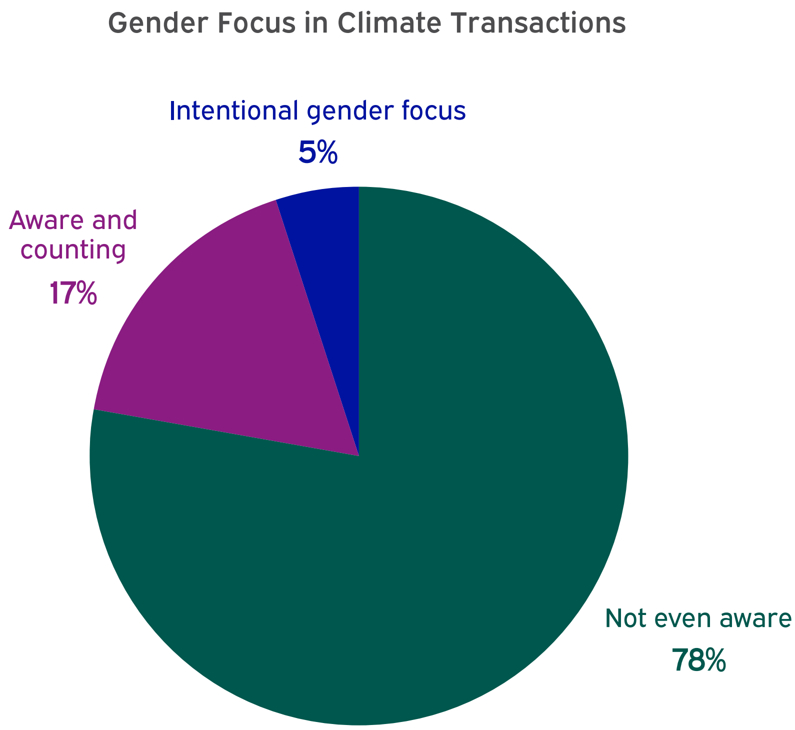

Figure 1: Proportion of climate transactions by gender focus (Source: Convergence's Historical Deals Database)

As mentioned earlier, reporting on sex-disaggregated data is crucial for creating evidence-based approaches towards equitable development and assessing the impact of the blended finance market on women and girls, but this practice has yet to gain momentum. When examining the climate blended deals by gender score, only 12% of the deals with a score of 0 reported sex-disaggregated data.[8] This also underscores that while sex-disaggregated data is a key consideration for gender analysis, it does not always imply that gender outcomes were factored into the investment and planning phases.

8 Convergence's baseline criteria for a score of 1 is at minimum the presence of sex-disaggregated data. Therefore, 100% of the climate deals with a gender score of 1 or 2 reported sex-disaggregated data.

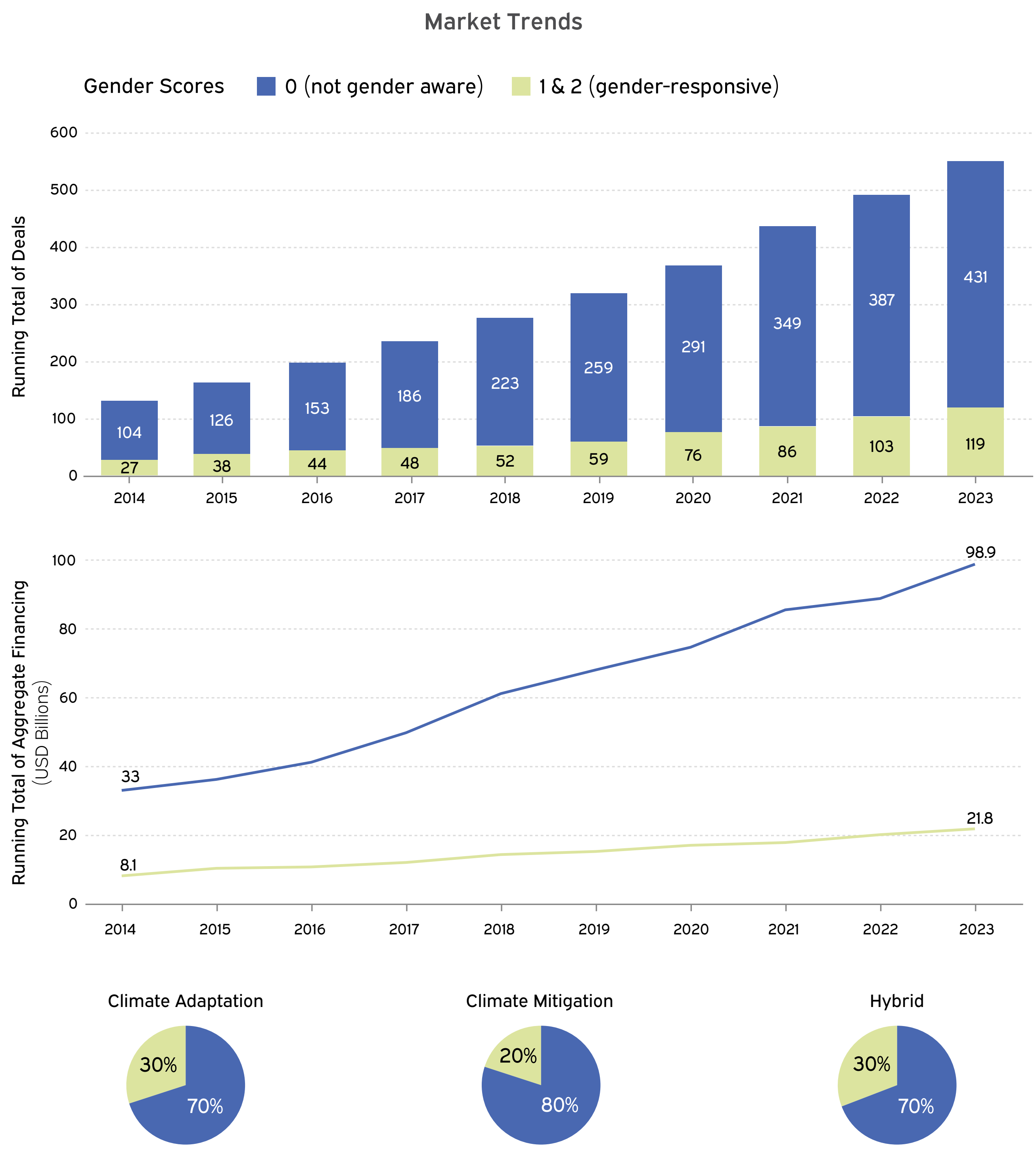

Figure 2: Market size and growth of blended finance: gender-responsive climate transactions vs. all climate transactions (Source: Convergence's Historical Deals Database)

Over the last decade, gender-responsive climate deals have seen a gradual increase (median increase of nine deals per year). In contrast, climate deals overall have experienced a more pronounced growth, with a median increase of 42 deals per year. Aggregate financing for gender-responsive climate deals declined slightly, from USD 4.98 billion between 2018 to 2020 to USD 4.84 billion between 2021 to 2023.

GENDER-RESPONSIVE CLIMATE FINANCE ACROSS SECTORS

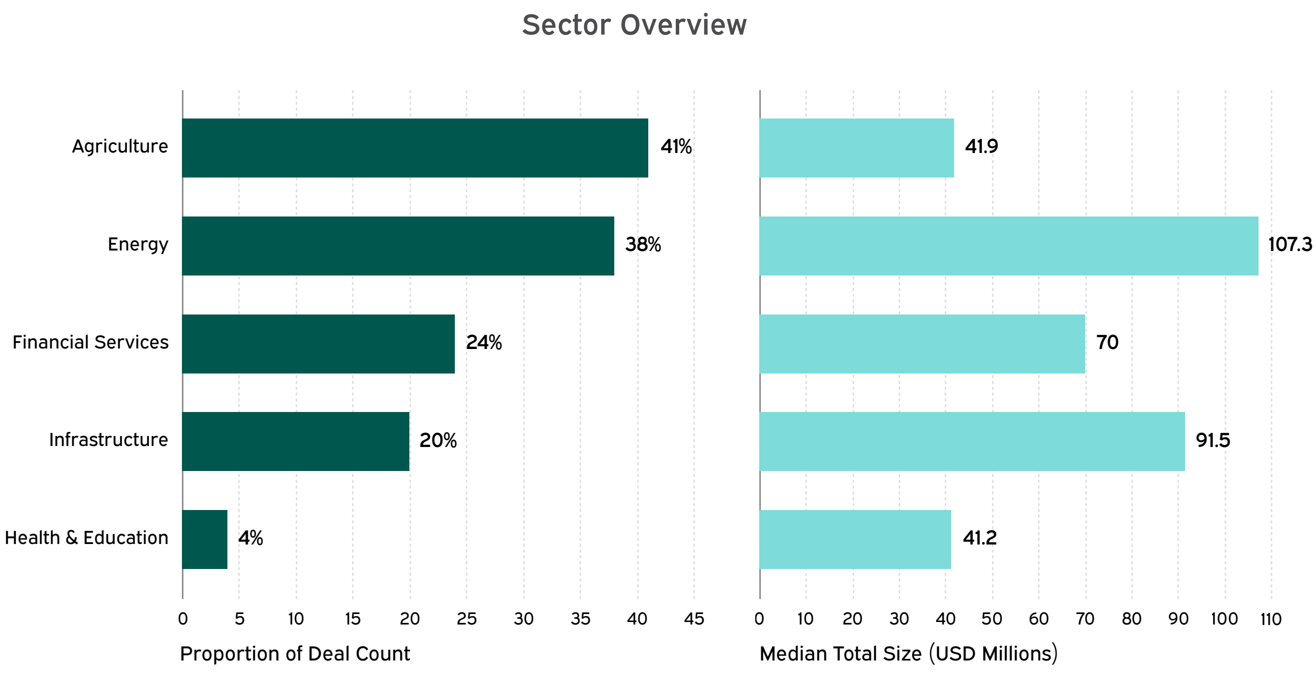

Figure 3: Gender-responsive climate transactions and median total size, by sectors (Source: Convergence's Historical Deals Database)

As observed in Figure 3, agriculture and energy are the dominant sectors for gender-responsive climate deals. While the agriculture sector represents the highest number of transactions, the energy sector has attracted significantly more financing (USD 14 billion for energy vs. USD 4 billion for agriculture), indicative of its larger transaction sizes—the median deal size for energy (USD 107 million) is much higher than agriculture (USD 42 million).

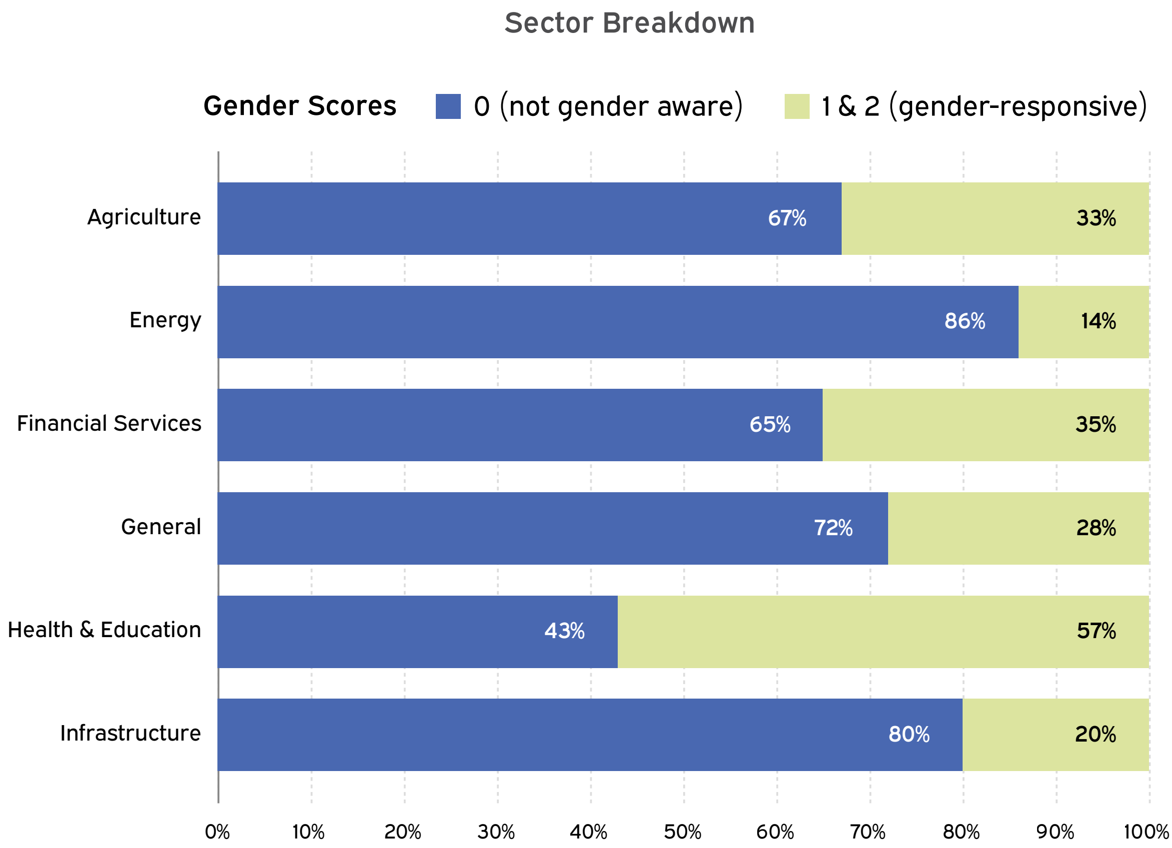

Figure 4: Gender-responsive climate transactions vs. all climate transactions, by sector (Source: Convergence's Historical Deals Database)

While overall numbers suggest a similar level of gender-responsive transactions within the agriculture and energy sectors, deeper analysis reveals that this is much more consistent within agriculture—and across other sectors—compared to energy (Figure 4). As illustrated in Figure 5, 46% of all climate transactions aimed at agricultural finance are gender-responsive, while 41% of climate transactions targeting agro-forestry incorporate a gender focus. Other sub-sectors across agriculture also contain a relatively high proportion of gender-responsive transactions. Meanwhile, only 14% of climate deals targeting the energy sector were gender-responsive.

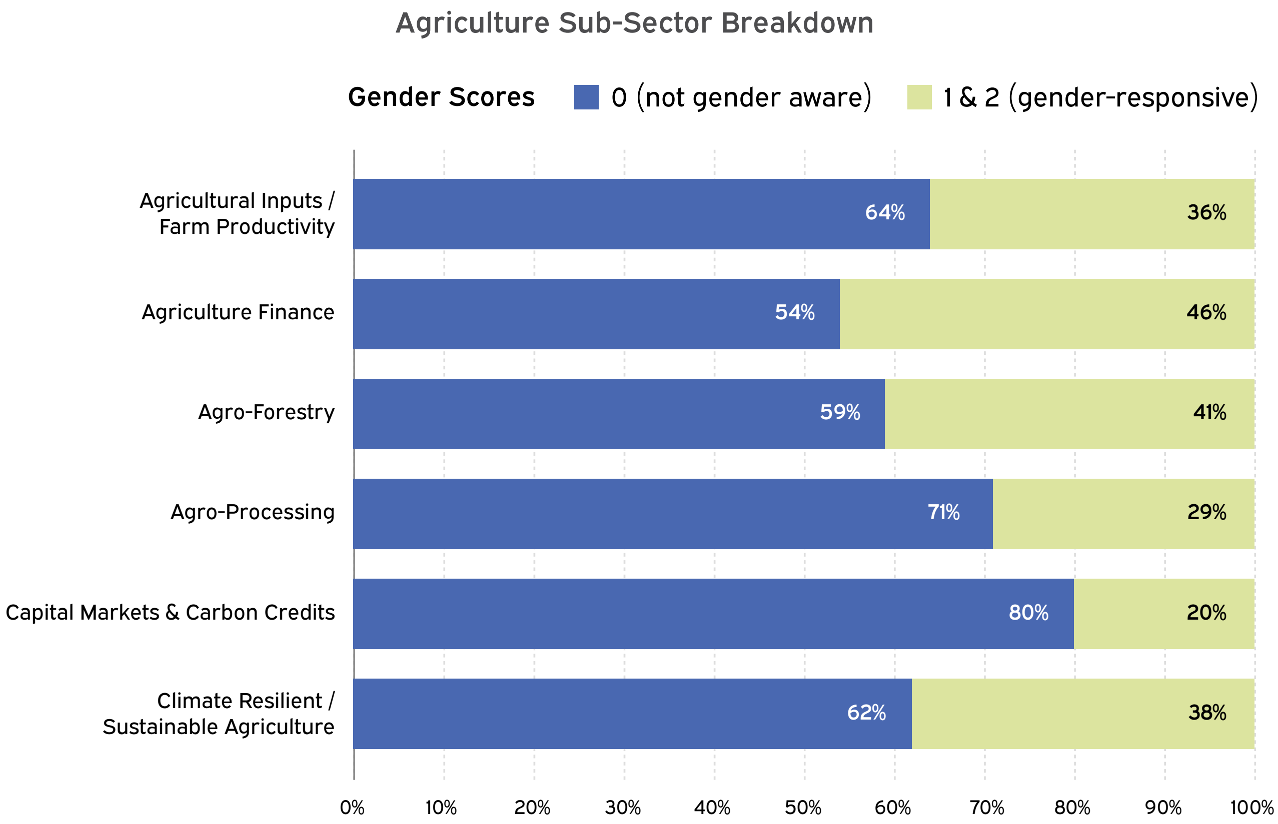

Figure 5: Gender-responsive climate transactions vs. all climate transactions by agricultural sub-sector (Source: Convergence's Historical Deals Database)

Despite representing a smaller focus within the climate blended finance market overall, transactions with a climate adaptation and hybrid focus[9] (accounting for 16% and 28% of all climate deals, respectively) are more likely to be gender-responsive compared to climate mitigation. In terms of the consequences of climate change, women are one of the most vulnerable demographics. In addition, they comprise 43% of the agricultural sector's workforce in emerging economies and have a critical role in adopting sustainable land use practices. As such, gender-responsive climate finance is often tied to adaptation and agriculture projects. In line with Convergence's findings, an internal gender-responsive climate finance study by CPI highlights that gender-responsiveness is most prevalent in agriculture, forestry and other land use (AFOLU), and water.

While few blended finance vehicles have incorporated carbon credits as a revenue stream within their transaction to date (appearing in less than 5% transactions), the carbon market presents unique opportunities for promoting gender outcomes. This is particularly true considering the size of the carbon credit market is predicted to grow to USD 5–30 billion by 2030, with an estimated two-thirds directed towards nature-based solutions. While monetizing gender outcomes alone can be difficult, there is an opportunity to incorporate and monetize gender co-benefits[10] alongside

9 Refer to Glossary of Key Terms for definitions
10 The UNFCCC defines 'co-benefits' as "advantages that climate solutions provide above and beyond helping to fight climate change. These co-benefits can include better air quality, improved public health, economic growth, and energy independence." As such, gender equality is often considered among the co-benefits for climate solutions.

carbon projects. For example, the Association of Southeast Asian Nations (ASEAN) Low Carbon Energy Programme has highlighted the growing recognition that for carbon credits to meet rigorous social and environmental standards, they must have positive outcomes for women. One example of this opportunity is the partnership between the W+ Standard, developed by Women Organizing for Change in Agriculture and Natural Resources Management (WOCAN), and Verra's Verified Carbon Standard (VCS), detailed in the box below.

Box 1: Spotlight on the W+ Standard

The W+ standard, developed by WOCAN, allows projects to certify quantifiable contributions to women's empowerment. The W+ standard has been included in the Verified Carbon Standard of Verra, the largest carbon standard in the world, to offer Verified Carbon Units (VCUs) which are jointly labeled under both standards. Carbon emissions reduction projects that deliver benefits to women can add the W+ Standard to their existing carbon projects. W+ labeled Voluntary Carbon Units' can be sold for premium prices to carbon buyers seeking co-benefits for gender equality/women's empowerment, or to address SDG 5. The W+ Standard requires that at least 20% of the price of the sold credit is provided to women of the project community, to support their self-determined goals.

GENDER-RESPONSIVE CLIMATE BLENDED FINANCE IN THE ENERGY SECTOR

While the energy sector is less likely to include a gender focus relative to other sectors, it represents a sizable market for gender-responsive climate finance. The energy sector represents the bulk of aggregate financing within the overall gender-responsive climate finance market, with USD 13.6 billion allocated across 42 deals. Interestingly, 28% of all climate transactions in off-grid RE projects were gender-responsive, compared to 11% in on-grid RE (Figure 6). Off-grid energy projects are more closely associated with household energy needs and domestic uses (e.g., access to household electricity and clean cooking) and may therefore tend to consider and incorporate the projects' impact on women and children, who represent the majority of end beneficiaries. In general, off-grid projects can more readily integrate gender-responsive targets compared to large-scale on-grid projects. One reason for this may be because off-grid projects can more easily generate and measure income and livelihoods for low-income women through activities such as sales, access to off-grid technologies like clean stoves, and awareness campaigns. In contrast, employment in on-grid projects demands significantly more training and skills, making it more challenging for project sponsors to meet gender outcomes.

Nevertheless, investors and project sponsors can also take into account the gender co-benefits on-grid projects can generate. Reliable electricity access can significantly boost women's income and participation in the labor force, while also empowering them to start or scale up their businesses particularly in sectors such as agriculture and education.

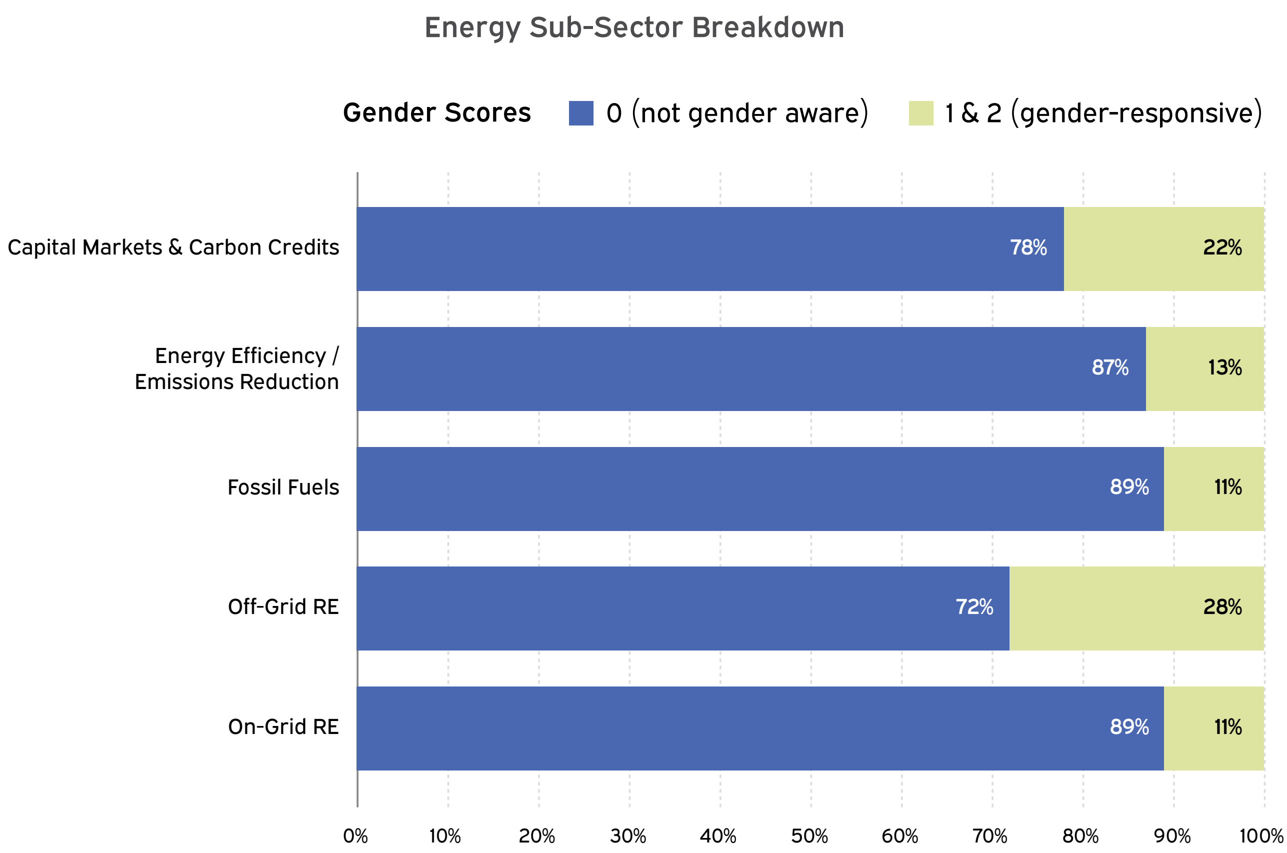

Figure 6: Gender-responsive climate transactions vs. all climate transactions by energy sub-sector (Source: Convergence's Historical Deals Database)

Within the RE sub-sector, solar dominates investment in terms of project count (74%) (Figure 7), a trend also observed in the overall energy blended finance market. Since 2018, gender-responsive solar energy development projects have attracted over USD 2 billion in financing, according to Convergence's HDD. In comparison, wind energy and hydroelectric projects have attracted USD 980 million and USD 805 million, respectively.

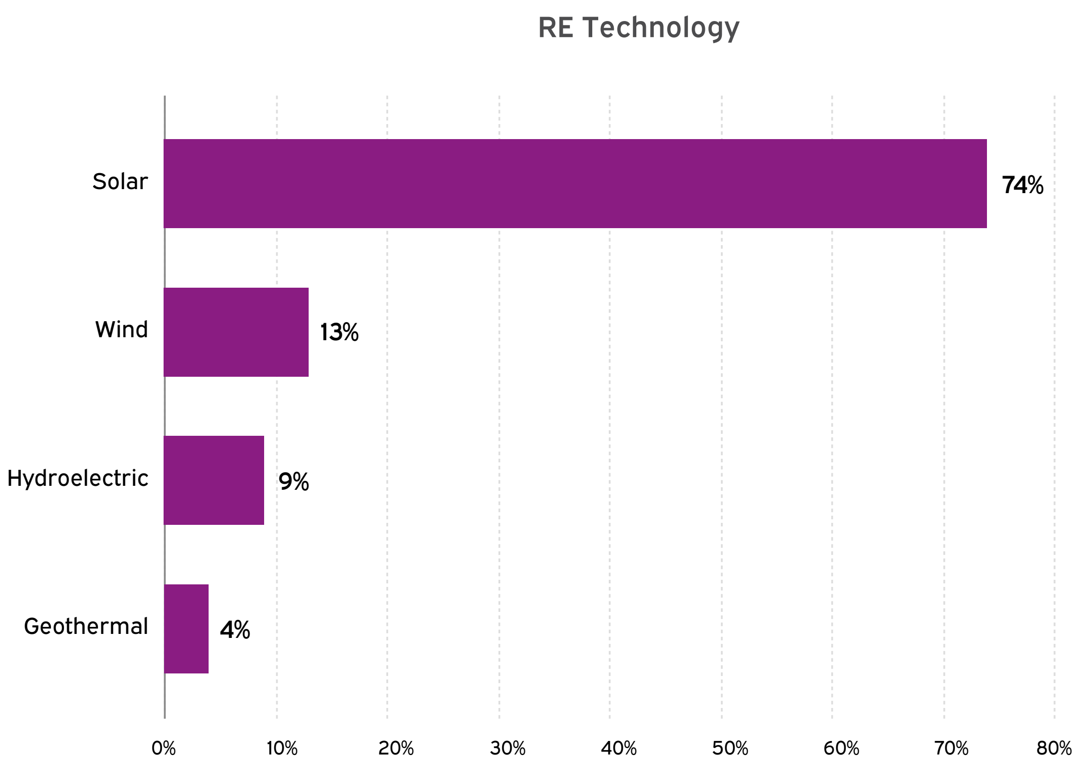

Figure 7: Proportion of RE deals by RE technology that are gender-responsive, 2018–2023 (Source: Convergence's Historical Deals Database)

According to the Global Association for the Off-Grid Solar Energy Industry (GOGLA), blended finance has been critical in de-risking the off-grid solar sector, with grant financing playing a crucial role in supporting many early movers to test new business models, acquire capital for research and development, and enable commercial investment for scale.[11] Nevertheless, GOGLA's 2023 report emphasizes the need for more blended finance within the off-grid solar sector in the face of a 43% decline of investment in 2023. According to GOGLA, one reason for this decline may be because the first wave of early concessional capital in the sector has not yet been replaced with market-rate capital.

As shared earlier, gender-responsiveness in utility-scale energy deals is less consistent relative to the off-grid sector. Utility-scale energy projects face several unique barriers when integrating gender-responsive targets, including increasing gender representation both in the construction phase and across technical and leadership roles. These include:

1. Large-scale RE development often takes the form of project finance, where investors are removed from the underlying policies influencing gender outcomes. For example, the labor force is often managed by engineering, procurement, and construction (EPC) contractors and subcontractors.
2. A lack of data and benchmarks on female employment within the energy sector makes it difficult to determine reasonable targets.

11 Source: Interview with the Global Association for the off-grid solar energy industry (GOGLA)

3. Many RE transactions are structured as project finance, where the construction phase is seen as interim. Thus, gender outcomes within the construction phase are overlooked in favor of long-term economic benefits.

4. Women are less represented in science, technology, engineering, and mathematics (STEM) fields and recruitment efforts can further entrench this issue unless employers intentionally attract women.

This report investigates these issues in further detail and the role of blended finance instruments in incentivizing gender outputs within the energy sector.

REGIONAL BREAKDOWN OF GENDER-RESPONSIVE CLIMATE BLENDED DEALS

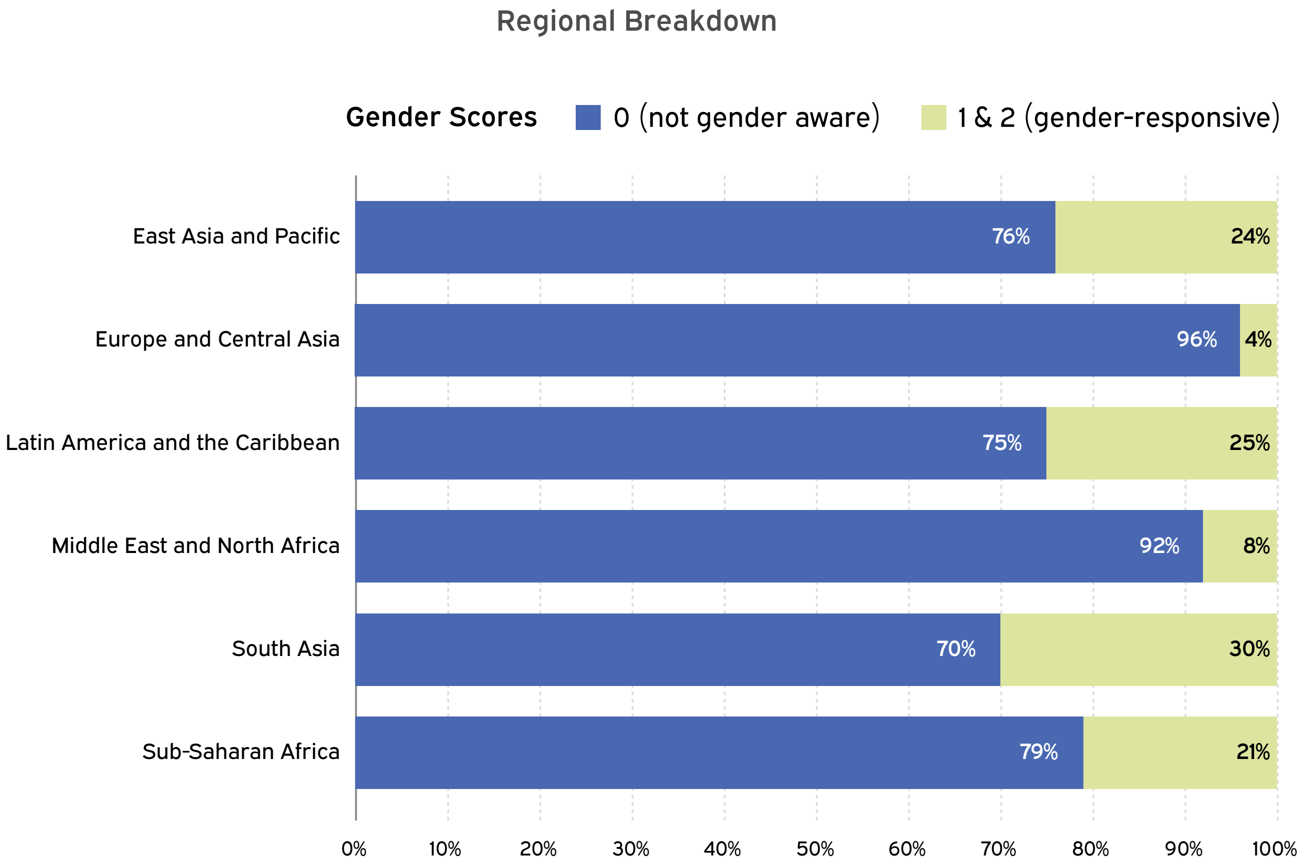

Figure 8: Proportion of climate transactions by gender focus and regions (Source: Convergence's Historical Deals Database)

As observed in Figure 8, out of all climate deals targeting South Asia, 30% were gender-responsive (USD 8.7 billion in aggregate financing), compared to 8% of the climate deals targeting the Middle East and North Africa and 4% of the climate deals targeting Europe and Central Asia. While the proportion of gender-responsive climate transactions in South Asia only marginally surpassed those in Latin America and the Caribbean and East Asia and the Pacific, the aggregate financing in those two regions is significantly lower than South Asia at USD 3.8 billion and USD 4.3 billion, respectively. This is partially due to a few large-scale climate transactions in South Asia that were gender-responsive, such as the Dasu Hydropower Project, a USD 3.8 billion deal to expand hydropower capacity and enhance the supply of low-cost, non-carbon RE in Pakistan. Throughout the project planning phase, the World Bank took into account the construction's impact on women and released a gender action plan to guide the project sponsor accordingly.[12]

VEHICLES FOR GENDER-RESPONSIVE CLIMATE BLENDED DEALS

Overall, funds represent the most common type of gender-responsive climate blended vehicle (34%) and the largest share of financing at USD 5.8 billion, owing the large deal sizes (USD 103 million median size). Gender-responsive climate blended funds include funds focused on multi-sector portfolios (e.g., RE, clean water, and agriculture), as well as more tailored strategies (e.g., only renewables). For example, Climate Investor One (CIO) is a blended finance fund delivering RE infrastructure projects in emerging markets focused on onshore and near-shore wind, solar photovoltaic and run-of-river hydropower. CIO draws on blended finance across its three sub-funds to address risks associated with project finance across the entire project life cycle, including project design, construction, and re-financing. Gender mainstreaming is actively undertaken in the development, construction, and operations of the CIO portfolio and requires each program to align with local community needs.[13] Climate Fund Managers conducts a gender analysis and develops a gender action development plan during project design, which is then implemented during construction and operation. Local content and recruitment plans are required to include a specific focus on women both as potential employees and as business partners.

12 This transaction is an example of a scenario where Convergence would assign a Gender Score of 1. While investors made an effort to consider the impact on women, the transaction did not integrate gender outcomes throughout the project life-cycle, such as the operation phase.

13 Gender outcomes highlighted in CIO's Gender Action Plan include:
- Number of full-time female employees
- Women-led entrepreneurs supported by CIO projects
- Number of gender responsive provisions

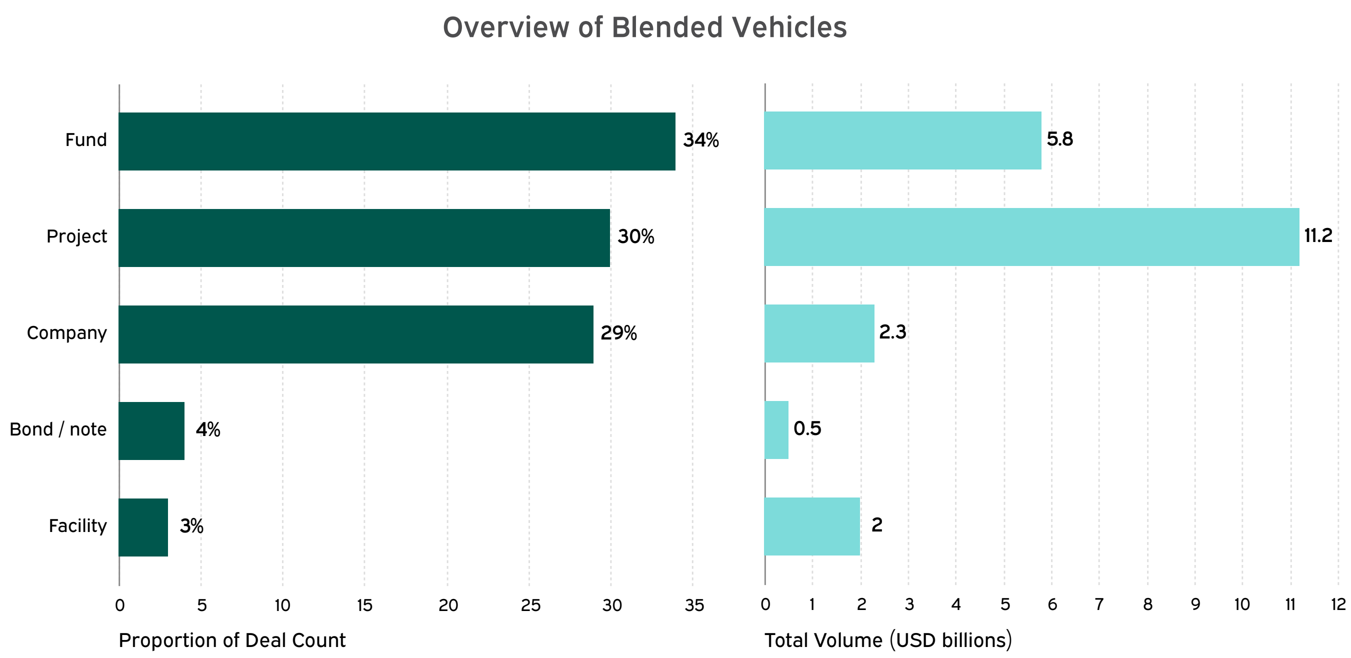

Figure 9: Gender-responsive climate blended transactions by vehicle type, all years (Source: Convergence's Historical Deals Database)[14]

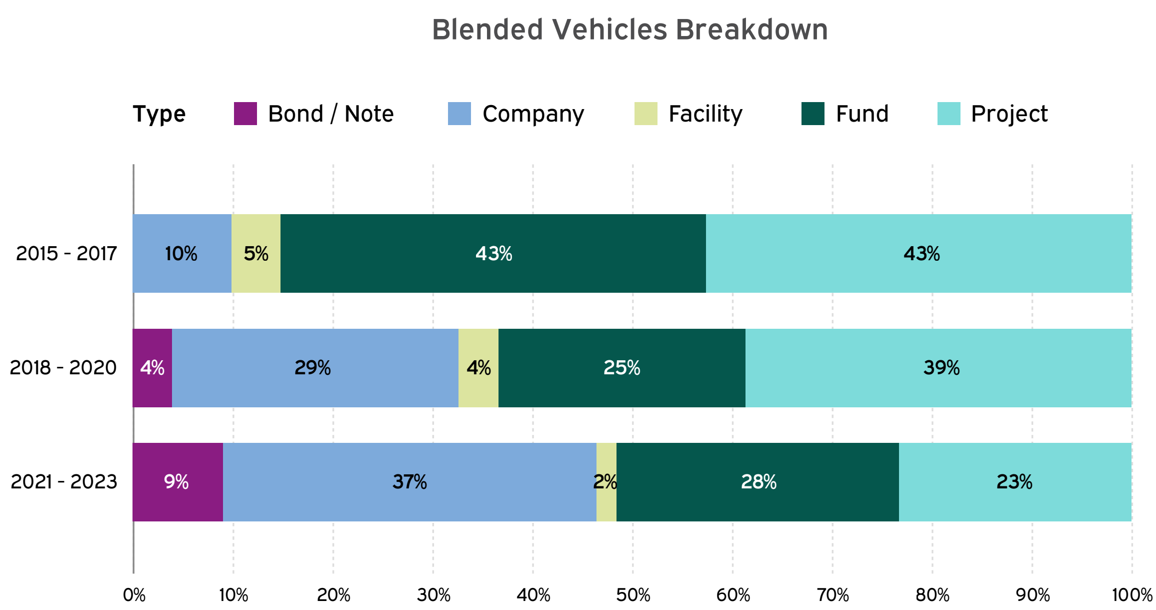

Figure 10: Gender-responsive climate blended transactions by vehicle type, 2015 - 2023 (Source: Convergence's Historical Deals Database)

14 Convergence defines a blended facility as an earmarked allocation of public development resources with private capital at the vehicle level, for deployment towards a specific recipient or intervention. This also includes risk-sharing facilities, or bilateral transactions, typically between donor or public entities and financial intermediaries, where the concessional capital helps mitigate potential losses on underlying loans originated by the financial institution.

Project finance is the second most common type of financing instrument for gender-responsive climate blended transactions (representing 43% in 2015-2017 and 23% in 2021-2023). Off-grid and large-scale RE projects constitute a significant portion of the project financing transactions in the blended finance market.

Gender-responsive climate blended transactions are increasingly directed towards companies and financial institutions, reflecting a trend observed in the overall blended market. This significant growth is largely driven by increased activity in the financial services and infrastructure sectors. The bulk of this financing (84% of company financing transactions from 2021–2023) is used to support banks and microfinance institutions (MFIs) to increase lending to underrepresented segments, including women, to achieve climate and gender outcomes. One example is Produbanco, a prominent bank in Ecuador, which drew on blended finance to increase lending to women-led small- and medium-sized enterprises (SMEs) that focus on managing water and wastewater, reducing plastic pollution in the oceans, and restoring marine ecosystems. Within the infrastructure sector, blended finance is primarily used to support the working capital needs of project sponsors.

ARCHETYPES FOR GENDER-RESPONSIVE CLIMATE BLENDED DEALS

Concessional debt or equity is the predominant blended finance instrument in gender-responsive climate blended deals, accounting for 86% of transactions. Debt has been the most common form of concessional capital, including subordinated debt (23%), followed by senior debt (20%). While blended finance tools in gender-responsive climate vehicles are often used to reduce real and perceived risks associated with investing in emerging markets and new sectors and technologies, they can also be used to promote gender outcomes. All blended finance transactions involve the participation of at least one development-focused (i.e., concessional) investor, providing an opportunity for promoting gender impact that might not be prioritized in climate vehicles in which all parties are returns-driven.

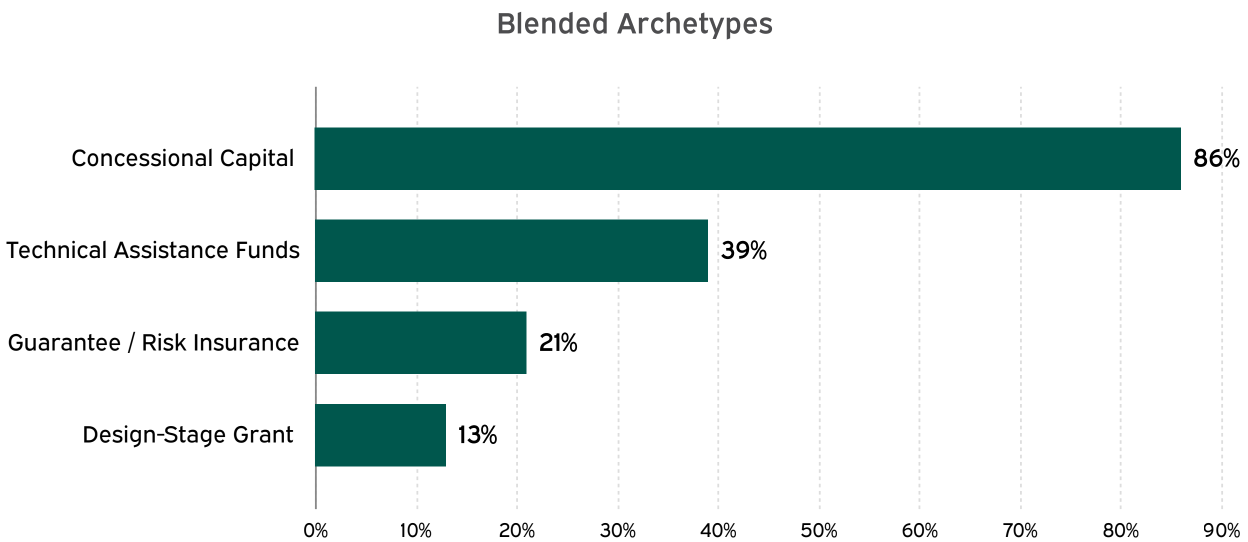

Figure 11: Proportion of gender-responsive climate blended transactions by archetypes (Source: Convergence's Historical Deals Database)

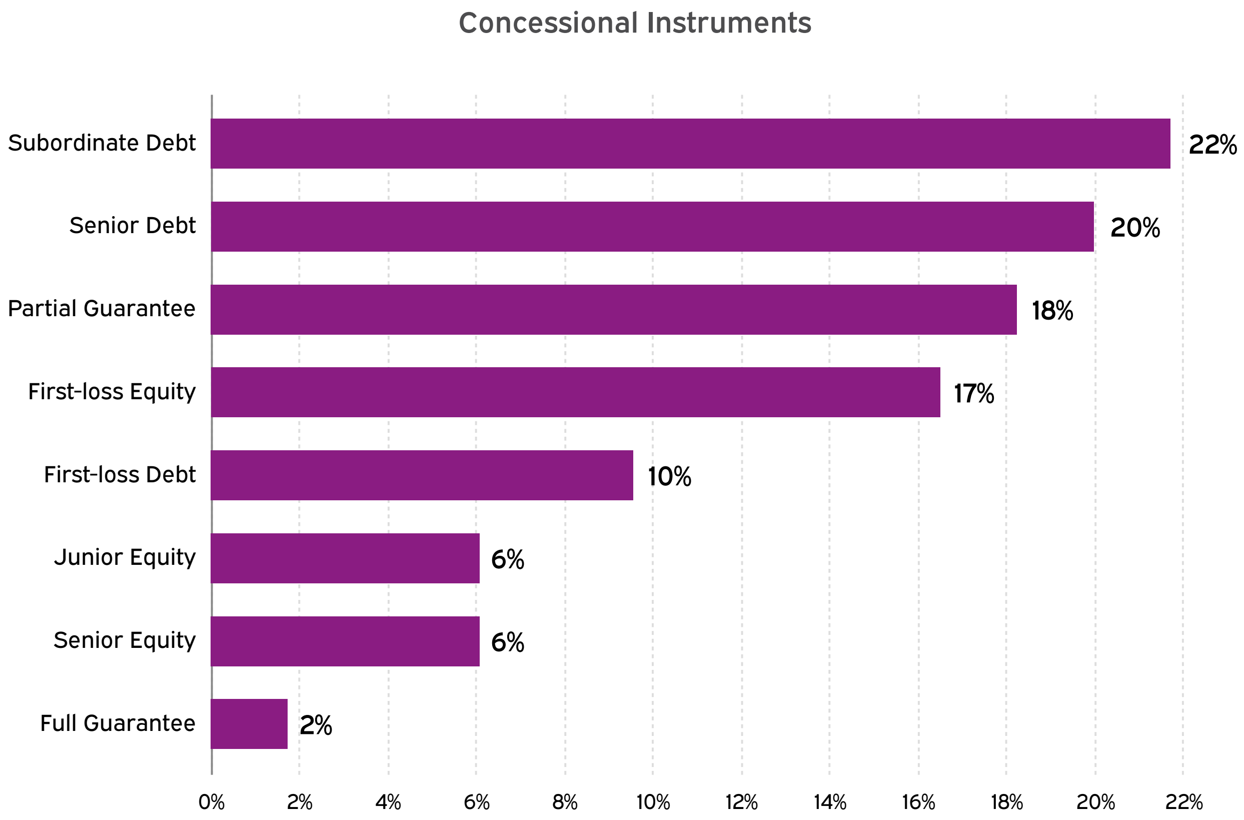

Figure 12: Proportion of gender-responsive climate blended transactions by concessional instrument (Source: Convergence's Historical Deals Database)

Concessional and conditional loans such as KPI-linked loans and performance-based incentives are increasingly used by concessional capital providers to incentivize gender within projects. These loans often involve an interest rate adjustment or transfer of capital based on the achievement of gender outcomes. Concessional equity, used in 23% of the transactions, can be a powerful tool for incorporating gender-responsive targets. Equity, particularly at the pre-seed or seed stage, provides an opportunity to influence and mainstream gender within the policies, standards, and practices of the transaction, as well as provides more decision-making power in the company or project than debt. While loans can also incentivize gender-responsive investing through incorporating conditions and covenants, concessional capital providers revealed that debt tends to be less influential than equity.

TA is another tool commonly used by capital providers and allocators to promote gender outcomes within the blended finance market (39% of transactions), often provided alongside concessional debt and equity. TA is commonly used during pre-investment stage to help a fund, company or project become investment-ready, or during post-investment stage for capacity building and integrating environmental, social, and governance (ESG) principles. This type of support can address risk perceptions due to unproven track records, unconventional revenue streams, and innovative ideas, while also supporting pipeline projects in adopting practices such as measuring, monitoring, and evaluating impact.

Institutions such as the Private Infrastructure Development Group (PIDG) link their financing of TA with KPIs for outcomes related to women and girls, to incentivize investees. Meanwhile, Deetken Impact, a fund manager, uses TA to improve gender scores of its portfolio companies. As part of its due diligence process, Deetken devised a gender scorecard that covers five main principles: women in leadership and governance; workplace equity; professional development programs for women; value chain and advocacy; and community engagement. With their TA training programs, they have been able to improve outcomes across each of these focus areas, deepening impacts and moving beyond simple headcounts.

Guarantees have also been used to incentivize gender-responsive investing by incorporating gender impact as part of the transaction due diligence. The Green Guarantee Company (GGC) is one example of a guarantee provider that mandates gender-responsive targets within all of its investments. Meanwhile, PIDG also ensures that every guarantee transaction fulfills a gender gap or has a gender impact, helping set a new standard for investors seeking a guarantee.

TARGETED BENEFICIARIES IN GENDER-RESPONSIVE CLIMATE BLENDED DEALS

Women and girls are the intended direct beneficiaries of only 2% of all climate blended deals and end beneficiaries for 11% of these deals.[15] Nevertheless, climate blended deals that are gender-responsive have gradually increased in recent years. Convergence highlights a significant increase in the proportion of climate blended finance transactions specifically aimed at empowering women, which doubled to 19% from 2020 to 2022 compared to the period from 2017 to 2019. These transactions prioritize initiatives such as improving women's access to financial services, restructuring value chains to promote inclusivity, and establishing employment objectives for women. This trend underscores a shift towards greater engagement of women as not only as recipients, but also as proactive contributors and leaders in climate finance endeavors.

15 Direct beneficiaries are the recipients of financing in blended deals, with project developers being the most common recipients. End beneficiaries are those affected by the project throughout its design, implementation, and operation. For example, women entrepreneurs receiving funding through a fund are direct beneficiaries, whereas women and children benefiting from an off-grid energy project are considered end beneficiaries.

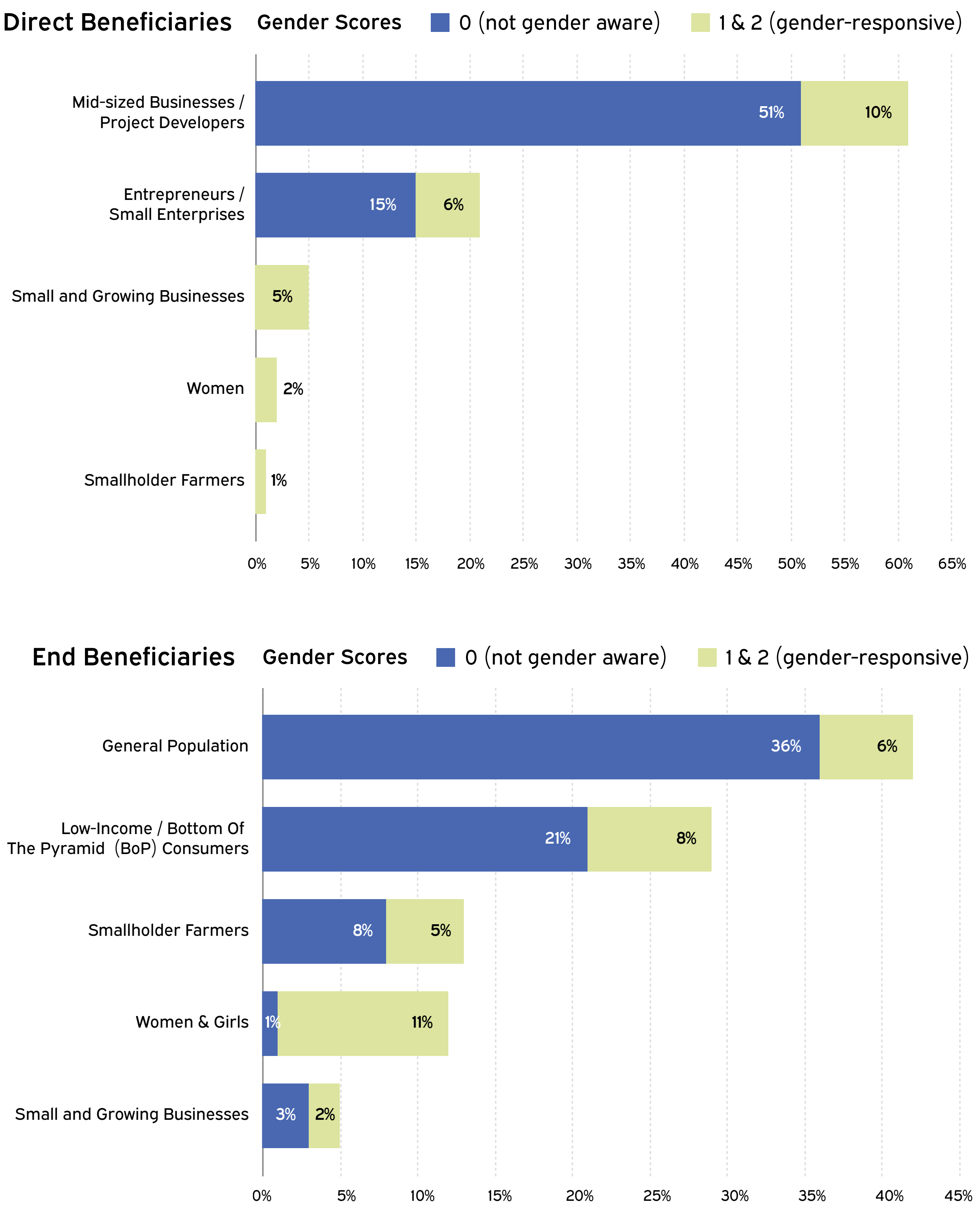

Figure 13: Climate blended transactions by gender focus and intended beneficiaries (Source: Convergence's Historical Deals Database)

1.2 ACTORS IN GENDER-RESPONSIVE CLIMATE BLENDED FINANCE

PUBLIC INVESTORS

Public investors, namely DFIs/MDBs (e.g., Dutch Entrepreneurial Development Bank (FMO)), development agencies (e.g., U.S. Agency for International Development (USAID)), and multilateral funds (e.g., Clean Technology Fund (CTF)) disproportionately invest in gender-responsive climate deals compared to private and philanthropic investors. The leading institutions in gender-responsive investing are DFIs, with FMO and Inter-American Development Bank (IDB) being the top two public investors by deal count shown in Figure 15. Reflecting the leadership role of DFIs in gender-responsive investing is the creation of the 2X Challenge at the 2018 Group of Seven (G7) Summit in Canada. Through this initiative, DFIs of the G7 countries sought to mobilize USD 3 billion in private finance for gender-responsive investing in developing markets (and have since mobilized USD 16 billion). DFIs continue to lead in the development of gender-responsive investing methodologies and tools. Initiatives like the Development Finance Institution Gender Finance Collaborative[16] enable DFIs to share best practices and learnings on gender-responsive investing.

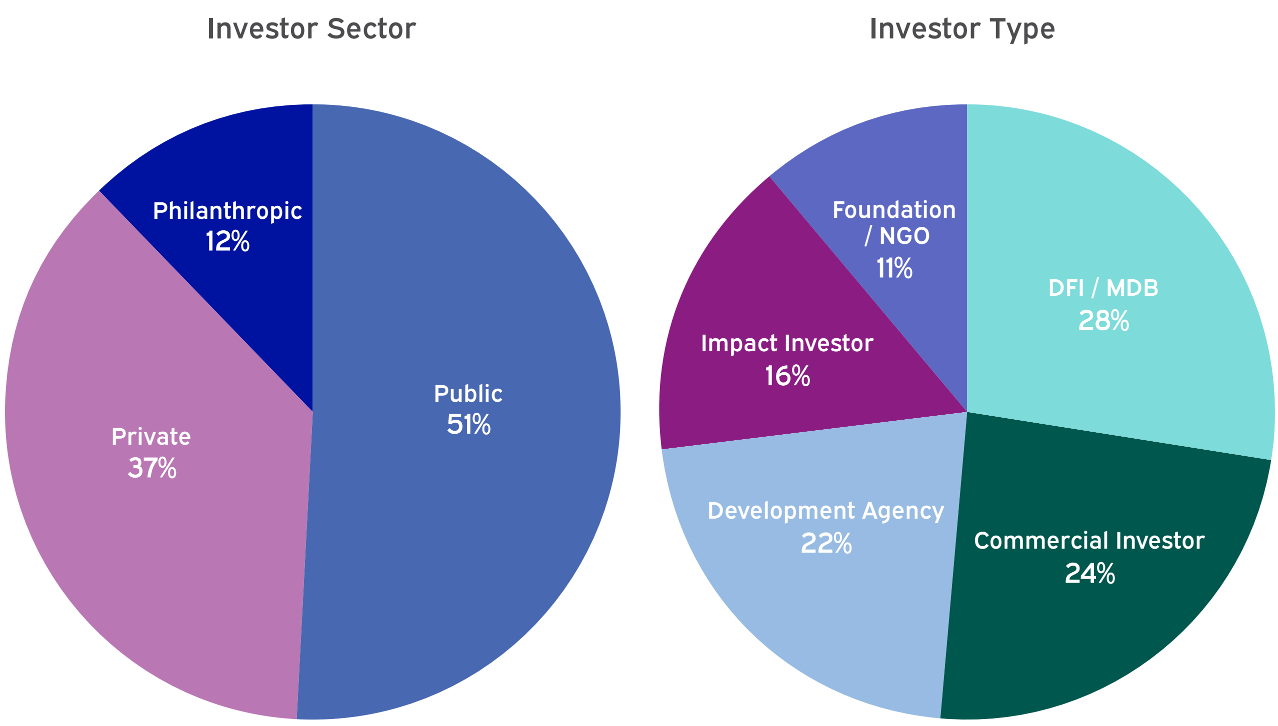

Figure 14: Gender-responsive climate transactions by investor type (Source: Convergence's Historical Deals Database)

16 On April 6th, 2018, BII launched the DFI Gender Finance Collaborative. This initiative aims to establish common financing principles, definitions, and methodologies to integrate "gender smart" decision-making into investment processes and internal operations. The Collaborative currently includes 14 DFIs and the European Investment Bank (EIB).

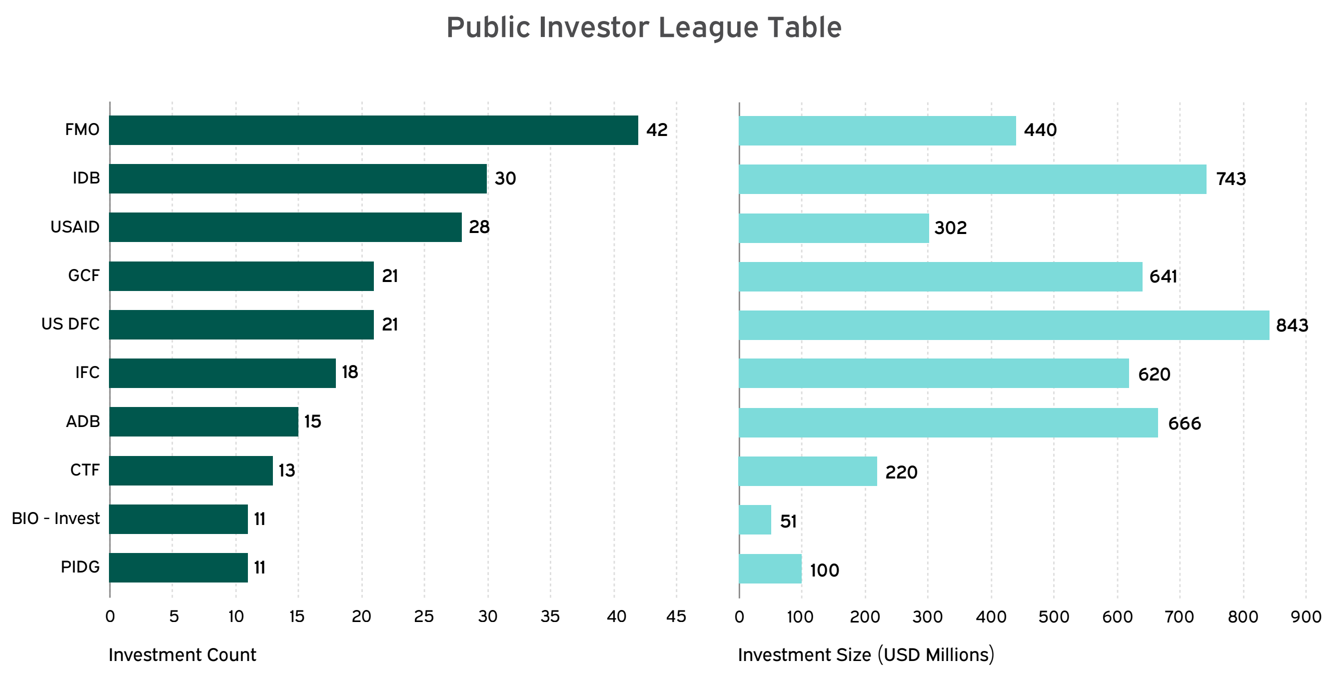

Figure 15: Top 10 public investors in the gender-responsive climate blended finance market , by total investment count with investment size (Source: Convergence's Historical Deals Database)

USAID, the third most active public investor, has prioritized gender and climate through initiatives such as its Climate Finance for Development Accelerator (CFDA), a USD 250 million initiative that aims to mobilize USD 2.5 billion in public and private climate investments by 2030. Under the CFDA, USAID launched the Climate Gender Equity Fund, in partnership with Amazon, Reckitt, Visa Foundation, and The UPS Foundation, to catalyze gender equity in climate finance around the world.

FinDev Canada, a relatively new actor in the DFI space (and as such has not yet made the Public Investor League table above), has a strategic focus on gender and climate-smart investing. The DFI has committed to apply a gender lens to 100% of the institution's transactions. Moreover, as part of the DFI's climate change strategy, FinDev considers gender equality, climate and nature action and market development throughout their investment process, including sourcing, due diligence, decision-making and post-investment support.

Box 2: Spotlight on IDB Invest

IDB Invest strategically uses blended finance tools to support gender outcomes across the energy sector, which often face unique and entrenched structural barriers to gender equality.

IDB Invest has developed several fit-for-purpose blended finance instruments that prioritize gender across the entire project life cycle, including project design, construction, and operation.

IDB Invest's study on the effectiveness of gender-based performance incentives finds that performance incentives are more effective when coupled with technical assistance; as such, both instruments are used to increase the likelihood of achieving gender targets:

1. **Technical assistance:** IDB Invest draws on technical assistance to support project sponsors in assessing opportunities for integrating a gender lens within their project and sponsors' operations, and building team capacity for gender-smart business opportunities. First, using the Women's Empowerment Principles (WEPs) Gender Analysis tool co-developed by the United Nations (UN) Global Compact, UN Women, IDB Invest, and IDB Lab, companies conduct a diagnosis of their policies relating to gender equality performance across the workplace, marketplace, and community. As shared by IDB Invest, using the tool is a "low-lift opportunity" for sponsors to demonstrate they are considering gender within their transaction. Moreover, TA can also be used to integrate gender training strategically within existing capacity-building programs for staff. For example, in the Castellana and Achiras projects in Argentina, IDB Invest created an internship program that recruits women with STEM backgrounds and is associated with a performance incentive. Despite women being underrepresented in STEM fields, IDB Invest proved to the client that women are interested in these internships, and that they apply—if a proactive recruitment strategy is in place. IDB Invest shared that even small allocations of TA (USD 10,000) can enable sponsors to begin to implement gender strategies.

2. **Performance-based incentives:** IDB Invest also regularly deploys performance-based incentives to encourage project sponsors to prioritize gender targets, whereby IDB Invest will reduce the interest rate of its loans or transfer capital based on the accomplishment of gender outcomes. As an example of this approach, IDB Invest used performance-based incentives within its Casablanca and Giacote transaction, a solar energy project in Uruguay.

   Here, IDB Invest saw the chance to implement a performance-based incentive model that would demonstrate:

   1. Female, unskilled labor can be recruited and converted into semi-skilled labor to grow and diversify the labor pool.
   2. Aggressive gender targets in the construction phase of projects are feasible.
   3. Local management systems are capable of identifying gender metrics at a granular level during the construction phase.

4. Gender-specific interventions can be incorporated into the legal architecture of transaction design.

IDB Invest and the Canadian Climate Fund for the Private Sector in the Americas (C2F) developed the following targets to increase the participation of women within the labor force of solar energy projects in Uruguay.

Table 2: Casablanca Giacote gender performance incentive framework.

Targets	Amount of C2F Interest Rate Adjustment
Target 1.1: Labor Force Participation • Women comprise at least 15% of the total number of workers at each site.	• 0.375% permanent reduction if targets 1.1 and 1.2 are met*
Target 1.2: Labor hour condition • At minimum, 15% of total hours charged by the subcontractor are attributed to women. • At minimum, 2/3 of the sum of the minimum hours attributed to women are in higher-skilled activities.	
Target 2: Contractor condition • Both the EPC contract and contract between EPC contractor and subcontractor include provisions providing compensation for achievement of the employment targets.	• 0.375% permanent reduction if target 2 is met*

Source: *Convergence Blended Finance (2023). Developing the Solar Market in Uruguay. Convergence Case Study.*

As a result of meeting targets, the borrower was awarded an interest rate adjustment of 0.75%.

Table 3. Outcomes from the Casablanca Giacote gender performance incentive program

Project Site Target	1.1: Labor force participation	Target 1.2: Hours worked by women in high-skilled activities
Dicano (Casablanca)	16.7%	68.2%
Fenima (Casablanca)	14.4%	68.9%
Arapey (Giacote)	18.3%	68.6%
Young (Giacote)	22.1%	112%
Petilcoran (Casablanca)	14.4%	69.4%

Source: *Convergence Blended Finance (2023). Developing the Solar Market in Uruguay. Convergence Case Study.*

The use of performance-based incentives demonstrates a few key benefits:

1. Blended finance incentivized the project company to work towards gender outcomes alongside project development. This incentive is particularly powerful considering the challenges of recruiting women to non-traditional roles, namely the construction phase of infrastructure projects.
2. Second, the performance incentive embedded the gender element into the legal architecture of the transaction. While doing so adds complexity to the deal structuring process by including additional elements into contractual negotiations, it also amplifies the importance of the outcomes and intertwines them with primary project activities.

Mobilizing local capital is essential for a just energy transition, but climate funds that are gender-responsive focus are largely mobilized by public investors in North America and Europe. There are a few notable exceptions, including India (e.g., Small Industries Development Bank of India), and Kenya (e.g., Africa Enterprise Challenge Fund). Investors based in the Global North, particularly DFIs, lead the league table, with organizations like FMO, United States International Development Finance Corporation (US DFC), International Finance Corporation (IFC), and IDB Invest representing the top investors. The United Kingdom (UK) is an active shareholder in PIDG and British International Investment (BII), two of the top investors in the gender-responsive climate blended finance market. PIDG incorporates gender-responsive investing when evaluating a transaction. Using a scorecard, PIDG strongly weighs gender and inclusion with a modified 2X criteria specific to the infrastructure sectors. PIDG also considers intersectionality and other vulnerable populations when assessing the impact of a project. An intersectional approach (one that considers gender alongside age, race/ethnicity, disability, sexuality and other context-specific identities and social hierarchies) more optimally operationalizes gender equality and social justice, but remains limited within the development finance community to date.

In addition, most of the top public investors in gender-responsive climate deals are members of the 2X Global Initiative. Yet, while nearly all top public investors have a climate action strategy, only a few have a dedicated gender action plan. Rather, most investors have a gender equality policy that serves as a guideline instead of a requirement.

PRIVATE & PHILANTHROPIC INVESTORS

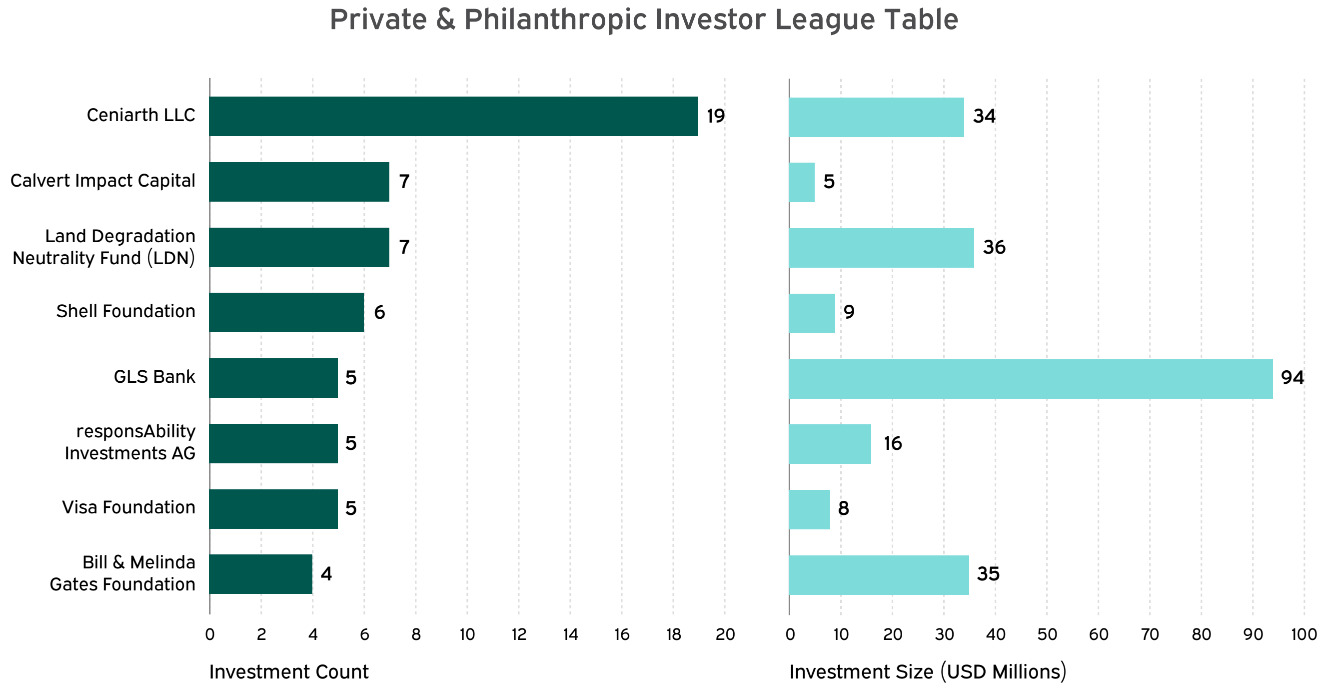

Figure 16: Top 10 private and philanthropic investors in the gender-responsive climate blended finance market, by total investment count with investment size (Source: Convergence's Historical Deals Database)

Impact investors (e.g., Ceniarth) and philanthropic organizations (e.g., Shell Foundation) continue to represent a notable source of funds to gender-responsive investment vehicles in the climate blended finance market, representing 27% of all financing. Notably, very few commercial banks and institutional investors have consistently invested in gender-responsive blended vehicles, with the exception of Gemeinschaftsbank für Leihen und Schenken (GLS) Bank, on this list.

Ceniarth LLC, a UK-based impact investor, is a notable private investor that has participated in gender-responsive climate deals. Ceniarth has participated in the USD 30 million Women's Livelihood Bond IV as well as its successor, the USD 50 million Women's Livelihood Bond V, and prioritizes impact-first capital, aimed at maximizing outcomes in underserved communities. It aims to align its investments with a broader agenda of gender equality and has committed to integrating gender-responsive metrics into its investment approach, specifically those championed by the 2X Initiative.

OTHER ACTORS & INITIATIVES

2X GLOBAL

2X Global is the leading organization in gender-responsive investing. In addition to being a membership network for investors and intermediaries, 2X Global is the hub for the 2X Challenge as well as the 2X Criteria, a set of criteria that is now the global standard for gender-responsive investing (see Box 3 below). As a part of its strategy to build up the ecosystem for gender-responsive investing, 2X Global leads several programs including 2X Ignite, a program focused on supporting women-led or gender-diverse fund managers with gender-smart investing strategies. 2X Global is also the Fund manager of the USAID Climate Gender Equity Fund, designed to support investment funds and vehicles aligned with the 2X Criteria.

Box 3: Spotlight on 2X Criteria

A result of the G7 Development Finance Institutions' 2X Challenge, the 2X Criteria has evolved as a global baseline standard for gender finance. The 2X Criteria addresses six crucial dimensions of women's participation in the economy, and as such are organized under six categories that are aligned with this participation:

1. Entrepreneurship & Ownership;
2. Leadership;
3. Employment;
4. Supply Chain;
5. Products & Services; and
6. Investment Portfolio (i.e. via financial intermediaries' portfolios or indirect beneficiaries).

To understand how gender-climate financial structures are using 2X Criteria, CPI and Convergence identified a list of 59 financial structures that are gender-responsive and either build climate resilience or contribute towards climate mitigation. The gender policies of these instruments were analyzed and tagged based on five 2X Criteria categories (i.e. Entrepreneurship & Ownership, Leadership, Employment, Supply Chain, and Products & Services). An instrument was tagged with one of the 2X criteria categories if the language in its gender policy matched the description of a category; achieving the 2X criteria's thresholds was not necessary. For example, an instrument that committed itself to investing in women-led businesses would be tagged with "Entrepreneurship & Ownership". Our analysis found that the "Products & Services" category was the most common 2X category included in gender-responsive investing policies, whereas "Supply Chain" was the least common.

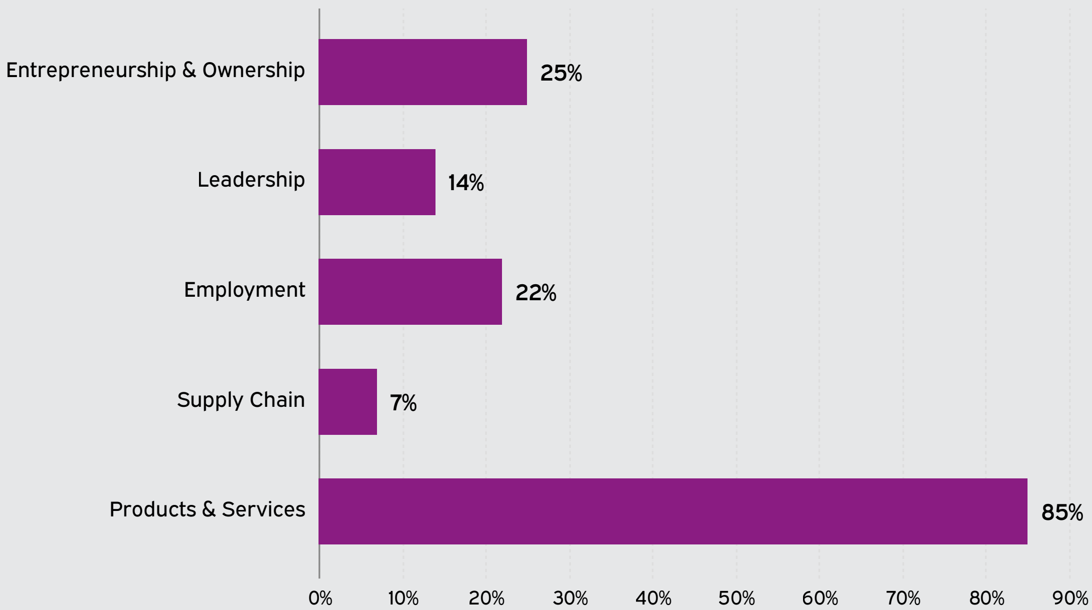

Figure 17: Alignment of gender-responsive climate financial instruments with 2X Criteria

Interviews with industry experts revealed that the "Products & Services" category is often the easiest to implement within the climate space since many products and services already disproportionately benefit women. For example, distributed energy technologies increase household access to clean energy which can disproportionately benefit women by freeing up time and improving their ability to work outside the home. The "Supply Chain" category is often the least commonly implemented in the climate space because gender-responsive procurement policies are often considered outside the purview of fund managers. These trends were particularly pronounced for the instruments that were analyzed that invest in the energy sector.

CATALYTIC CLIMATE FINANCE FACILITY

The Catalytic Climate Finance Facility (CC Facility) is a partnership between CPI and Convergence that offers grant funding and acceleration support to high-impact, ready-to-scale climate finance vehicles. Gender equality is one of the five eligibility criteria, requiring blended finance structures that apply to demonstrate gender-responsiveness in the form of understanding and intentionally including gender considerations into the design and/or outcome of the vehicles. Grantees of the CC Facility are also offered gender technical assistance, with the purpose of strengthening the gender thesis, strategy, and impact of each instrument.

CONVERGENCE GENDER-RESPONSIVE CLIMATE FINANCE DESIGN WINDOW

Since 2021, Convergence has operated a Gender-Responsive Climate Finance Design Funding Window that awards early-stage grant funding for the design and launch of innovative blended finance vehicles focused on the nexus of climate change and gender equality in emerging markets worldwide. The window aims to build the field by supporting a pipeline of climate-gender blended finance vehicles to reach bankability. Blended finance vehicles supported by Convergence's Gender-Responsive Climate Finance Design Funding Window are anchored by three key objectives: The mobilization of private sector capital at scale to finance gender-responsive climate change mitigation and/or adaptation in emerging markets; The integration of gender equality into the design, implementation, and operations of vehicles, rather than as a "bolt-on feature" or "nice-to-have"; and strong alignment with SDG 5 (Gender Equality), SDG 13 (Climate Action), and SDG 17 (Partnerships for the Goals) at the minimum. 2024 marks the fifth cycle of the design window and is financed by the Government of Canada.

THE GLOBAL INNOVATION LAB FOR CLIMATE FINANCE GENDER EQUALITY LAB STREAM

In 2022, the Global Innovation Lab for Climate Finance (the Lab), which CPI acts as Secretariat, launched a gender-responsive climate finance stream to bring in ideas for financial vehicles that had both the advancement of gender equality and addressing climate change mitigation/adaptation as core objectives. In that cycle, the Lab selected and helped develop Social Infra Ventures (SIV), a first-of-its-kind rental and for sale gender-responsive, green, and affordable housing platform in Northern Africa. Since then, the Lab has worked to incorporate a menu of gender-related services into the acceleration support.

PART 2: CASE STUDIES OF BLENDED FINANCE THAT PROMOTE GENDER MAINSTREAMING WITHIN ENERGY

The following sections highlight five gender-responsive climate transactions to showcase how blended finance can support financial vehicles to produce gender-related outcomes.

2.1 CASE STUDY 1—GREEN GUARANTEE COMPANY (GGC)

OVERVIEW AND DEAL ARCHITECTURE

The Green Guarantee Company (GGC) is the first global climate-focused guarantee company dedicated to providing guarantees for green bonds and loans with significant climate adaptation and mitigation impacts. GGC focuses on the energy sector with an aim to allocate 40% of its portfolio to expanding energy access and power generation. Its mission is to complement local debt capital markets with global institutional capital through guarantees from developed markets in a bid to meet the growing climate finance demand.

GGC will provide guarantees to allow borrowers with high climate impact to obtain funding from debt providers (e.g., commercial banks) that they would otherwise not be able to obtain since the underlying risk profile is beyond the risk mandate of the debt investor (considering that most debt investment opportunities in the OECD's DAC list of developing countries have a sovereign risk rating of B or lower). GGC's BBB Fitch Insurer Financial Strength rating allows the company to leverage its capital base of USD 100 million, provided by donors including USAID, Norfund, and UK Aid to write and hold up to USD 1 billion of guarantees.

The GGC model aims to lower the perceived risk for private investors and demonstrate the potential for market-based returns, making green projects in developing countries more attractive to private investors.

USE OF BLENDED FINANCE

- **Acceleration support:** As a 2022 Lab proponent, GGC received acceleration support to build its USD 10 million TA facility aimed at accelerating market readiness and local capacities. GGC then worked with Pegasys Consulting to define and align its gender metrics country context while taking into considerations the religion, cultural sensitivity, and social norms, as well as the legal and regulatory environment for which the project operates. GGC incorporates gender-based violence considerations into its safeguarding criteria and asset ownership into its gender KPIs.

Figure 18: GGC Structure

- **TA facility:** The Green Climate Fund's TA facility has helped GGC develop and integrate its gender action plan and scorecard into its due diligence processes. The gender action plan will enable project developers to understand the implications of gender on climate change mitigation and adaptation interventions while ensuring that the interventions benefit all members of the community. It will also allow the project developers to develop indicators to better assess how initiatives have impacted different groups.

GENDER APPROACH

GGC aims to assess all borrowers on both gender and climate outcomes, recognizing that investment decisions that consider gender and climate are mutually reinforcing and often leads to a virtuous cycle.

Through its Gender Action Plan, GGC intends to support gender equality and women's empowerment within its target countries and sectors. GGC will assist its clients in enhancing their respective gender action plans, tracking progress which would be verified by local consultants. GGC's gender action plan includes project level gender assessments and stakeholder consultation. All projects considered for guarantees are evaluated based on defined metrics and KPIs below.

Table 3: GGC Gender Metrics and KPIs

Metrics and KPIs	Gender Impacts
Organizational processes and systems through appointment of gender resource and necessary financial support	Enhance gender equality outcomes within GGC and every transaction/project
Project-level gender assessments and action plans	Identify and engage women's organization working on gender issues
Gender sensitive safeguarding and stakeholder consultation	Enable gender-inclusive processes, leading to gender-responsive project designs
Monitoring, reporting, and verification (MRV) platform	Enable a data-driven project design that leads to greater equality outcomes

KEY INSIGHTS

- **There is a need for more case studies on best practices of gender-responsive climate startups and growth stage companie**s: GGC noted that the majority of best practices on gender-responsive investing is geared towards large DFIs/international financial institutions (IFIs), whose structure and mandate does not fully reflect the needs of growth companies like GGC. Providing comparable examples of how startups and early-stage companies are approaching gender lens investing would enhance their ability to implement gender-responsive policies.
- **Acceleration support can be crucial in equipping new and early-stage ventures with a gender lens**: GGC noted that prioritizing impact and developing the appropriate tools for gender-responsive investing can be costly and resource intensive, particularly for small and early-stage companies. As a result, GGC has drawn on multiple forms of acceleration support to help them encourage positive gender outcomes. First, the Lab worked with GGC to develop gender metrics that were tailored to country-specific contexts, taking into considerations religion, cultural sensitivity, and social norms, as well as the legal and regulatory environment of the projects. Moreover, the Lab helped ensure that GGC's metrics were in-line with best practices. Additionally, support from the Green Climate Fund (GCF) enabled GGC to develop and integrate their gender action plan.

2.2 CASE STUDY 2—LOCAL UTILITY PROJECT ACCELERATOR

OVERVIEW AND DEAL ARCHITECTURE

The Local Utility Project Accelerator (LUPA) was created to support electric cooperatives (ECs) in the Philippines to meet and exceed their Renewable Portfolio Standards (RPS) targets by investing in and owning RE projects. Founded by Allotrope Partners, a clean energy and decarbonization advisory firm, LUPA aims to forward the national agenda to transition 35% of the Philippines' energy mix to RE by 2030. As energy distributors, ECs play an important role in the Philippines by bringing energy infrastructure and development to remote areas. Operating as non-profit, membership-based providers, ECs can offer community-driven solutions for scaling up RE implementation with dedicated support from initiatives like LUPA that help them overcome key barriers to advancing RE projects. LUPA's role is to connect partner ECs and project-specific developers, investors, capital providers, external advisors, and other stakeholders, and to bring expertise and financing resources to help ECs invest in, and ultimately own, RE projects.

USE OF BLENDED FINANCE

- **Design funding grants:** LUPA has benefitted from blended finance through two design-stage grants. Convergence awarded Allotrope the first grant for a feasibility study through its Indo-Pacific Design Funding Window. Through the study, Allotrope identified the need for an aggregator to connect individual ECs with project development and financing resources. A second grant was later provided to support proof-of-concept to launch LUPA. These grants were integral to LUPA's creation and to identify the support ECs need to own RE projects. Due to their perceived risks, ECs face significant barriers identifying project development and financing resources, as well as connecting with RE developers and other capital providers. They also often lack funding to support their own projects. These barriers lower the ECs' likelihood of success on their own. LUPA's interventions, strategically developed with the support of grants, can help ECs attract private capital at scale and access financing to own and operate RE assets.

  LUPA is currently in its proof-of-concept phase as it seeks to close its first transaction with an EC. Eventually, the company intends to leverage blended finance structures to support high-risk, early-stage development processes for ECs lacking in-house capabilities to develop projects independently. The preliminary financial model for the company is based on charging project development fees or intermediary fees to the project equity investors.

GENDER APPROACH

The design funding grants were essential for LUPA's feasibility study and proof-of-concept, which included a goal to conduct an intensive gender analysis within ECs. The gender analysis will be essential to ensuring that LUPA can support ECs in improving their gender equity practices and integrating gender considerations into their operations, working with ECs to create sustainable gender-related policies, and ensuring LUPA-supported projects are gender-responsive.

One of the ECs that LUPA is currently partnered with is Lanao del Sur Electric Cooperative, Inc. (LASURECO), who went through USAID's Engendering Utilities Program and has begun implementing gender-focused policies. Specifically, LASURECO has six gender-related goals:

- Collect and monitor sex-disaggregated data
- Develop a gender business case
- Write a gender equality vision statement

- Develop gender equality practices (ex. recruitment and retention of female employees)
- Develop a vision for change
- Revise the Code of Ethics to include policies that recognize gender equality

LASURECO has already identified gender inclusion in its frontline services as a key positive outcome. For example, social norms and cultural barriers prevent male meter readers, who were the majority of the staff, from entering houses to effectively complete their jobs. Rather, men are required to stay outside and use zoom lenses on cameras, a challenge that could be addressed through increasing the number of female meter readers who are allowed to enter houses. LASURECO also found that overall women had more success handling complaints, implementing education, convincing members of behavioral change and leading information campaigns on securing legal connections and conservation of energy.

KEY INSIGHTS

- **Incorporating a gender lens from the beginning stages of a transaction is critical:** According to Allotrope Partners, having a gender lens in the initial design phase allowed LUPA to better connect with what ECs and EC associations are currently working on. Their engagement deepened throughout the proof-of-concept phase.
- **There is a need to better articulate the relevance and business opportunity gender presents to non-traditional stakeholders, such as utilities:** Allotrope Partners found that making gender a mainstream consideration for ECs has been a challenge, but that ECs are beginning to understand its importance. To overcome this challenge, implementing gender interventions needs to be made easy and directly relevant to the ECs line of work. They note that a strong business case that describes the positive bottom-line impacts of gender-inclusive policies is important to gaining traction among potential investors that may otherwise not have a strong interest in gender-focused transactions.

2.3 CASE STUDY 3—CATALYST FUND

OVERVIEW AND DEAL ARCHITECTURE

The Catalyst Fund is a pre-seed equity fund that invests in startups that build a climate-resilient future in Africa. The Fund was launched in 2022 by Catalyst Impact Partners and reached its first close in August 2023. The Fund utilizes an innovative blended finance approach to invest in resilience sectors while simultaneously mainstreaming a gender lens throughout its portfolio. It invests across three adaptation-relevant verticals: fintech for resilience, sustainable livelihoods, and climate-smart essential services. While the adaptation sector is often associated with physical infrastructure, Catalyst Fund innovatively targets adaptation by investing in enterprises that address physical climate risks. For example, the Fund invests in enterprises such as NoorNation and Earthbond, which provide decentralized energy resources, build grid resilience, and reduce the likelihood of blackouts.

In 2022, the Fund was selected by the Lab's Global Adaptation stream. Catalyst Fund has raised nearly USD 10 million to date with the goal of raising a total of USD 40 million. Investors include FSD Africa, Cisco Foundation, USAID Prosper Africa, a family office, and a high-net-worth individual. Catalyst Fund has invested USD 4 million across 20 pre-seed startups in Africa since December 2022 with the opportunity for these startups to receive follow-up seed and Series A support. The current portfolio companies operate in a variety of sectors including energy, agriculture, healthcare, and insurance, with roughly 30% of the current portfolio featuring RE solutions.

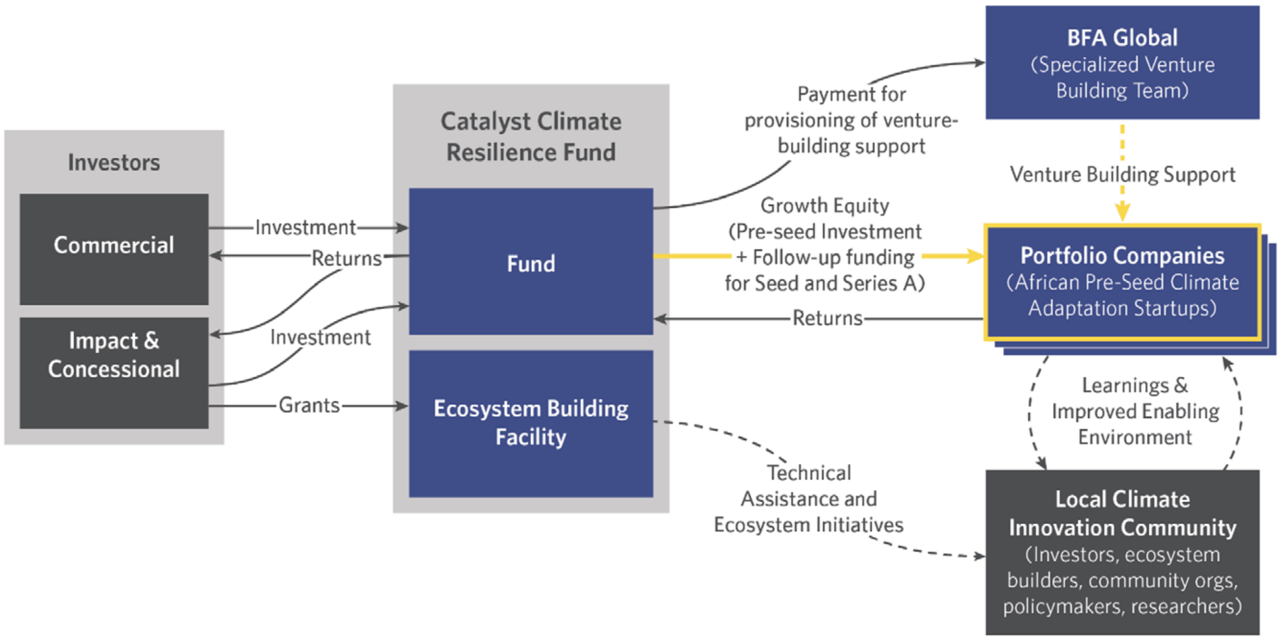

Figure 19: Catalyst Fund Structure

USE OF BLENDED FINANCE

- **Acceleration support:** Acceleration support provided by the Lab allowed the Fund to conduct market sizing, instrument structuring, impact metric guidance, financial modeling, presentation material development, etc. The Lab support also helped mainstream gender through impact metric development.

- **Concessional equity:** The Fund consists of three capital tranches, whereby the junior and first-loss capital tranches offer protection to senior investors to crowd-in commercial capital. The Fund's capital breakdown across tiers is expected to be between USD 16 to 21 million in senior equity, USD 15 to 20 million in junior equity, and USD 4 to 5 million in first-loss capital. The Fund follows a standard waterfall structure and is targeting a 20% internal rate of return (IRR) for its investors.

- **TA facility:** In addition to startup financing, the Fund also includes a grant-funded ecosystem-building facility managed by Business Financial Associates (BFA) Global that aims to create a pipeline of investable startups. The goal of the ecosystem facility is to build a broader community of entrepreneurs in Sub-Saharan Africa dedicated to building adaptation ventures. Developing a pipeline of investable, women-led startups is especially important; the Catalyst Fund team revealed that women in sub-Saharan Africa are often systematically excluded from participating in the energy sector and instead encouraged to work in industries such as textiles. To help address this issue, BFA Global's venture-building services provide additional coaching for women founders and gender sensitivity training for the startup team. The facility also shares relevant learnings and best practices with local climate innovation communities and provides TA on user research and impact measurement.

GENDER APPROACH

Catalyst Fund integrates gender throughout its investment approach, taking into account both its portfolio companies and end-users.

When selecting portfolio companies, Catalyst Fund uses its "AAA framework", which stands for Affordable, Accessible, and Appropriate. The 'Accessible' criteria ensures that climate solutions reach even the most remote or underserved areas, supporting women and individuals who might not typically access resources and opportunities through traditional marketplaces.

Catalyst Fund prioritizes business solutions that are women-owned—the Fund is committed to having 40% of the start-up founders be women, with roughly 35% of its portfolio already meeting this requirement. Additionally, the Fund places a strong emphasis on female end-users. This strategy recognizes the fact that women likely represent a much larger share of beneficiaries than what is currently counted. For example, issues of land and title ownership and perverse gender norms mean that contracts are often held in a man's name even if the end beneficiary is a woman. This issue is especially prevalent in the energy sector with women lacking the collateral or a credit score to purchase products like solar panels.

As a result, Catalyst Fund tries to think creatively about how to count women users, such as estimating women beneficiaries of insurance policies instead of just policyholders. The Fund also seeks to support business models that meet the needs of women, for example by investing in healthcare and facilitating responsible waste management. In both these cases, women are the primary users and leaders in climate action.

KEY INSIGHTS

- **Pre-seed equity is a scarce but powerful instrument in climate adaptation that can be used to both achieve adaptation goals and empower women:** Catalyst Fund demonstrates how equity can be used to support adaptation solutions that are tech-based, recognizing the role of tech in helping manage the impacts of climate change. Moreover, pre-seed equity can be a transformative instrument for supporting gender outcomes. Equity, particularly at the pre-seed stage, can ensure that gender considerations are prioritized by investee companies from an early-stage. Catalyst Fund's focus on women-led founders also addresses the unique financing challenges faced by women, who often lack access to early-stage capital and technical support (consider that women founders receive less than 7% of investment capital in Africa).

- **Catalyst Fund seeks to create transformative change by identifying tech companies that systematically address the impact of climate change on women:** The Fund is looking at how underserved users can access solutions, investing in deeper impact management and targeting climate change challenges that disproportionately impact women. Funds looking to mainstream gender in the energy sector need to be proactive in finding a pipeline of women-led companies that design products and services with the specific needs of women in mind.
- **Catalyst Fund demonstrates how fund managers can mainstream gender from the management level through to end-users:** Catalyst Fund integrates a gender lens throughout all aspects of the Fund's approach, including within its leadership team, portfolio companies, and beneficiaries/end-users. First, a majority of Catalyst Fund's leadership team are women including the chief executive officer, chief financial officer, and chief investment officer. The fund also requires all its team members to undergo training from UN Women and mandates periodic reviews of gender balance and compensation. Grant capital has been especially helpful in mainstreaming gender by funding training services provided by organizations like 2X and creating gender-specific funding mandates like Heading for Change. At the portfolio level, Catalyst Fund is committed to having 40% of its founders be women with roughly 35% of its portfolio already meeting this requirement. For beneficiaries, Catalyst Fund targets business models that disproportionately serve women and collects gender-disaggregated data when possible.
- **Mainstreaming gender may be able to improve a fund's ability to raise capital going forward.** Both commercial and concessionary investors increasingly value gender mainstreaming with many requiring 2X Criteria alignment and beyond. Several investors in Catalyst Fund, especially the DFIs, explicitly asked about gender mainstreaming during application processes. Funds can improve their chances of raising concessional capital by mainstreaming gender throughout their fund structure, portfolio companies, and beneficiaries.

2.4 CASE STUDY 4—THE BEYOND FINANCE ASIA-PACIFIC FACILITY

OVERVIEW AND DEAL ARCHITECTURE

The Beyond Finance Asia-Pacific Facility is a blended finance initiative that aims to enhance women's access to funding and essential services in the Asia-Pacific and sub-Saharan Africa regions. Led by an all-women investment team, the Facility targets sectors relevant for women and climate adaptation: access to clean water, access to clean energy, financial inclusion, and sustainable agriculture. The Facility is comprised of a close-ended debt fund project with an accompanying TA facility. The Facility helps bridge the financing gap women face to adopt climate adaptation strategies by providing technical support and financial incentives to investees that provide gender-responsive climate products and services. In this way, Beyond Finance supports its investees to develop an investment approach that considers the interplay between gender and climate resilience.

Although still in the structuring process, the Facility's private debt fund project will likely include an equity buffer and a senior debt note. The equity buffer is designed to attract impact-driven investors willing to take on larger risk expectations. The senior debt will target private investors, DFIs, and foundations.

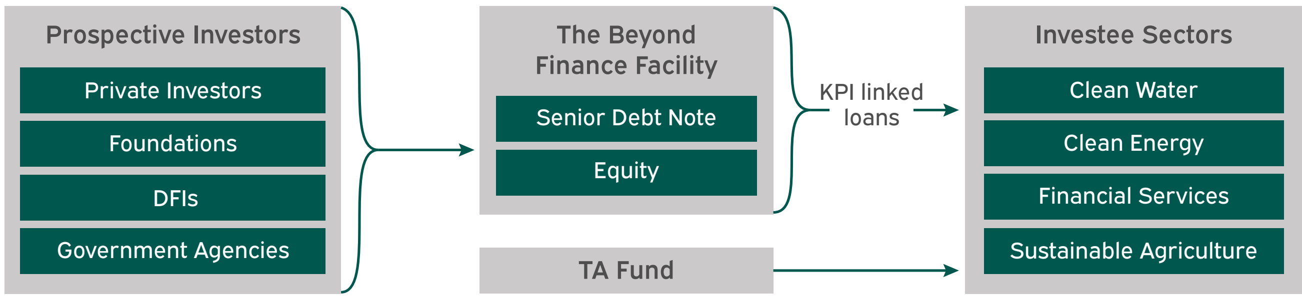

Figure 20: Beyond Finance Facility

USE OF BLENDED FINANCE

- **Design funding grants:** The Facility was awarded two design funding grants, through Convergence's Indo-Pacific Window and Gender-Responsive Climate Finance window. The Facility received a feasibility study grant, which allowed the team to evaluate the necessary legal, operational, and financial structures for establishing the Facility. Specifically, the feasibility study enabled the team to conduct a market sounding and engage with investors and potential investees to determine an appropriate returns structure across the capital stack that would be viable for its investment strategy while meeting investor expectations. Convergence awarded the Beyond Finance Asia-Pacific Facility a second grant to develop the Facility's proof-of-concept, namely to support investee pipeline origination and finalize the concept of the Facility.
- **Technical assistance:** The TA facility enables investees to take a proactive approach to addressing gender-specific challenges, for example, by funding market surveys to better understand women consumer needs in climate adaptation products. The TA facility is also exploring the use of carbon certificates to further support positive contributions to climate action.

GENDER APPROACH

The Beyond Finance Asia-Pacific Facility uses various instruments to advance SDG 5: Gender Equality.

- **Technical assistance:** The Fund's accompanying TA facility is aimed at transforming the Fund's investees into "gender-smart" businesses developing climate adaptation solutions. The Beyond Finance investment team and external consultants will work together with investees to assess their current gender performance and develop tailored KPIs to develop and improve products for climate adaptation and women representation in key roles.

- **Performance-based incentives (KPI-linked loans):** Based on the tailored KPIs, the Facility will offer a reduction in the interest spread of its loans if key indicators are met. Selected KPIs will measure two main dimensions: one associated with the design of products enhancing climate adaptation, and one associated with women representation within the investee company.
- **Impact criteria:** The investment criteria for companies include those whose products and services mainly benefit women's climate resilience with a proactive approach to include companies owned and/or led by women. They include metrics that align with the 2X criteria and impact reporting and investment standards (IRIS+). They will also use metrics that will help assess the climate resilience for women end beneficiaries.

KEY INSIGHTS

- **Concessional tools such as TA and financial incentives are often deployed together, reinforcing one another:** TA and financial incentives can go hand-in-hand. In the case of Beyond Finance, TA is used to accompany the gender lens journey and development of climate adaptation products adapted to women for investees. When KPIs are achieved, it will trigger the provision of interest rate reductions for investees. While financial incentives have proven to be a powerful incentive for investees to prioritize gender outcomes, TA-enabled advisory support is a necessary precursor to allow the investee to reach reasonable and customized targets based on its profile.
- **TA enables fund managers and investees to go beyond a "counting heads" approach to gender equality:** TA enables Beyond Finance to drive transformative change in the gender-climate market, beyond a superficial count of female beneficiaries. In this way, Beyond Finance provides TA to help investees design better products adapted to women needs in the clean energy, agribusiness, and clear energy sectors, and create climate adaptation products in the financial inclusion sector, recognizing that many institutions do not have the capacity or know-how to do this alone. This includes supporting investees to conduct market diagnosis assessments and to undertake survey assessments of its client base.

2.5 CASE STUDY 5—SISTEMA.BIO

OVERVIEW AND DEAL ARCHITECTURE

Founded in 2010, Sistema.bio is a social enterprise focused on improving the energy access gap for rural smallholder farmers. The company manufactures, sells, and distributes small-scale biogas digester units and biogas-linked appliances. The digesters convert livestock waste into biogas, a cleaner and more RE source than thermal alternatives, leaving behind a biofertilizer that can be used in crop production.

USE OF BLENDED FINANCE

The company has drawn on multiple types of blended finance since its launch to help the company develop its technology, establish a market, and scale. This includes: grants (both repayable and non-repayable), concessional debt and equity (e.g., to cover its working capital costs), and technical assistance (e.g., to educate clients about the biodigester system). See more details on Sistema.bio's blended finance approach here.

CLEAN IMPACT BOND

Building on earlier activities, in 2022, Sistema.bio launched the Clean Impact Bond (CIB), a development impact bond (DIB) that contributes to the broader use of clean cooking technologies. DIBs secure upfront capital from investors for development interventions, and those investors are later remunerated by funders and earn a return if these programs achieve pre-agreed social outcomes. The CIB is designed to increase access to clean cooking appliances for low-income customers by drawing on upfront funding for SMEs that manufacture and distribute these appliances. This financing aims to scale operations, and make these appliances more affordable and accessible to low-income customers across Africa. The outcome buyer will purchase the health and gender co-benefits generated from the use of these appliances.

The CIB DIB was launched in 2023 as a partnership between Cardano Development (impact manager), IFC (technical assistance provider), BIX Capital (upfront investor), the Osprey Foundation (outcome funder), and Sistema.bio.

Outcome payments and investor commitments are as follows:

1. Upfront loan: BIX Capital's loan of USD 300,000 provides working capital to Sistema.bio.
2. Outcome payment: Osprey Foundation purchases health and gender co-benefits from Cardano Development for USD 500,000. Outcome funding will also cover the measurement, reporting, and verification provided by Gold Standard.

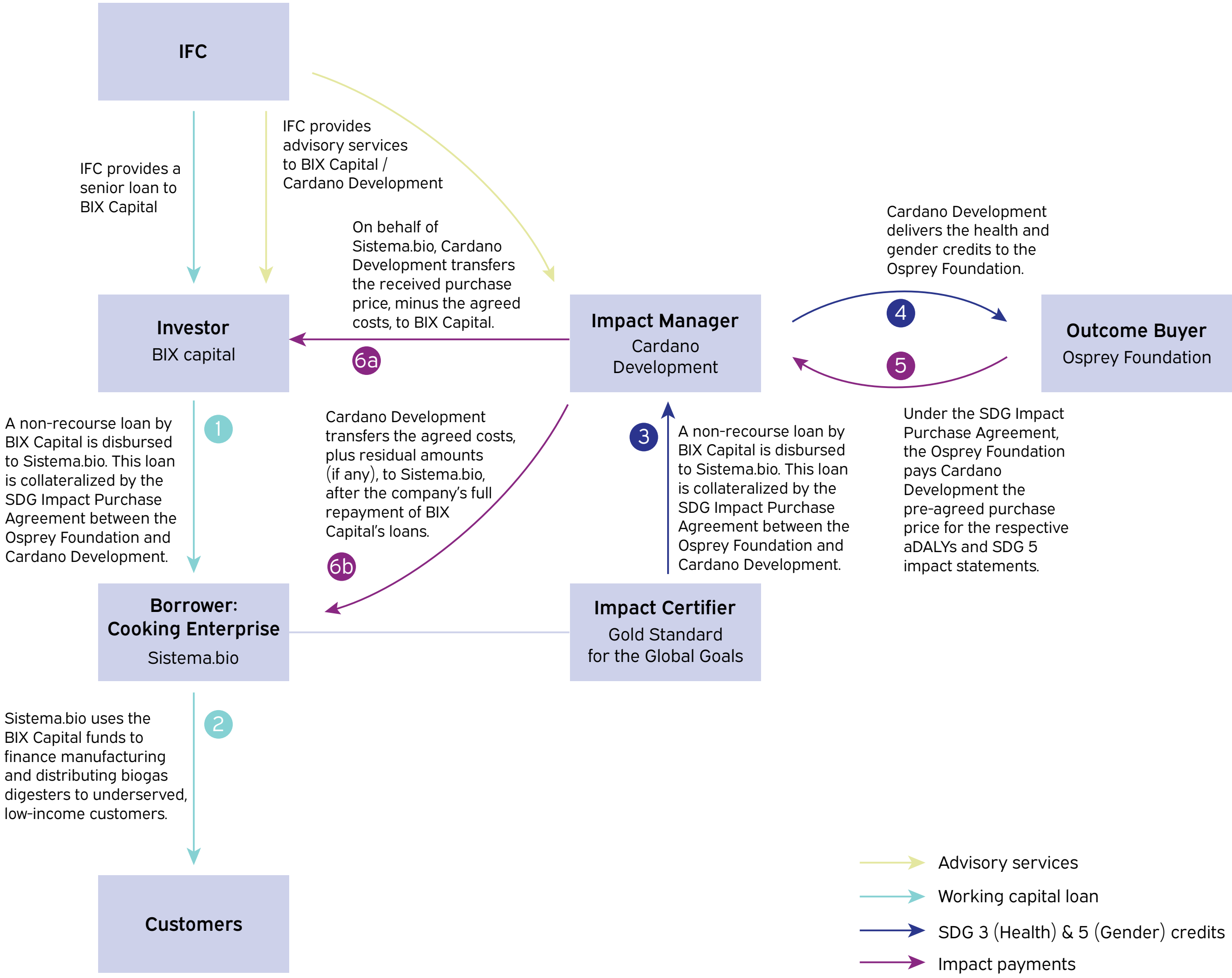

Figure 21: Financial Flows of the Clean Impact Bond, adapted from IFC (2023)

GENDER APPROACH

Sistema.bio has a long history of prioritizing and advancing women, both within the company's workforce, as well as end-users. For example, in 2019, Sistema.bio undertook a pilot study in partnership with Value for Women, with grant support from AlphaMundi Foundation. Findings from the study demonstrated that although women sales agents faced several gender-specific challenges, they closed sales more rapidly and with fewer follow-up customer engagements than men. Subsequently, Sistema.bio worked to identify and remove various structural barriers female sales agents faced, such as transportation access and safety.

With the development of the DIB, Sistema.bio saw an opportunity to explicitly use blended finance to achieve demonstrable gender outcomes, namely:

1. A DIB allows impact metrics to firmly dictate whether funds are disbursed, based on the achievement of specific gender and health outcomes.
2. A DIB provided an opportunity to demonstrate how gender and health co-benefits could be monetized as a result of clean cooking interventions, similar to carbon credits. Furthermore, the CIB structure tested the market demand for health and gender co-benefits among development funders and impact investors. This was based on the recognition that the "missing link" of gender credits was identifying off-takers who were willing to pay a premium price for gender and health outcomes.

Prior to structuring the DIB, Sistema.bio partnered with the World Bank and IFC to fund and conduct two complementary studies that would identify and develop data-driven metrics and appropriate KPIs for gender and health co-benefits of clean cooking interventions. As noted by Sistema.bio, concessional funding provided by these two organizations allowed the company to develop a more evidence-based and innovative approach to develop scalable and data-driven metrics that had not previously been used when quantifying the co-benefits of health and gender. One insight uncovered by this study was that a lack of access to investment capital was a major obstacle preventing women from utilizing unused farmland. The company prioritized investments in women in agriculture, leading to increased free time, improved health and well-being, and higher income generation for these women.

The study confirmed the use of two metrics for measuring health and gender and its associated monetary value:

Table 4: Overview of Health and Gender Co-Benefits and Associated Financial Terms and Conditions of the CIB, adapted from IFC, 2023

	Outcome	Sample Metrics	Achieved per biogas stove, per year	Certified SDG Contribution	Terms	Impact Value
Health	Averted disability adjusted life years (aDALYs)	Personal exposure to particulate matter (PM) Population demographics (e.g., household size)	21.2 days (about three weeks) of healthy life added to the household per year of biodigester use	SDG 3 (0.058 aDALYs per house per year) If the CIB supports the sale of 12,000 stoves, this would contribute 696 aDALYs	Price for health credits: $1,816 / aDALY	Price of aDALY used per capita GDP in Kenya (as of 2019) as a benchmark ($1,816 to $1,970) and followed WHO-CHOICE methodology
Gender	Increase in women's time used for productive tasks and /or rest/ leisure "Quality Time"	Time spent actively cooking Proportion of women's time engaged in income-generating tasks or rest and leisure	285 hours (about 12 days) of Quality Time added for women and girls in the household	SDG 5: 285 productive hours of Quality Time freed up for the female cook per household, per year If CIB supports the sale of 12,000 stoves, this would result in the addition of 3,420,000 productive hours	Price for gender credits: $1 per added Quality Hour	Price per Quality Hour (for gender) was based on three available references: 1) W+ units issued using the W+ standard by WOCAN (using the Nepal transaction $0.60 per hour), 2) GDP per capita in Kenya as of 2019, and 3) the living wage for rural Kenya in 2016. These references yielded a price range of: $0.60 to $1.02 per added Quality Hour (QH) and worked with the high-end price of $1 per QH

The CIB also included a climate-based outcome measurement:

- Reduction in Short-Lived Climate Pollutants (SLCPs): The World Bank study measured the net reduction in black carbon emissions (BCe) and other SLCPs by using updated field-based emissions factors. These factors were compared with baseline measurements to quantify reductions in BCe and carbon dioxide (CO_2) equivalents, estimating a net reduction of 963.4 tonnes for approximately 84,000 biogas digesters. This quantification provides a concrete metric that is utilized and monetized to measure climate impact credits in the CIB.

The CIB utilized Gold Standard to certify its health and gender co-benefits; findings from the IFC and World Bank study on health and gender equality met Gold Standard's requirements, confirming that outcomes can be sold to an outcome buyer through the CIB.

KEY INSIGHTS

- **Concessional capital can provide essential resources to build the evidence base on the financial and development impact of gender equality**: Sistema.bio noted that mainstreaming gender is difficult due to the lack of practical tools, benchmarks, and readiness evaluations available in the market. Moreover, there is often a need to conduct bespoke studies that contextualize gender inclusion within a company's target sector and market. In the case of Sistema.bio, concessional resources provided from AlphaMundi were used to help the company demonstrate the business benefits associated with promoting more women to technical and sales positions, and strategies to overcome associated challenges (e.g., transport, societal norms). Additionally, concessional funding provided by the World Bank and IFC were critical to determining appropriate metrics for quantifying gender (and health) impact within the CIB, and the viability of a results-based financing mechanism.
- **The CIB demonstrates that there is a viable market for gender co-benefits in the climate finance market:** The CIB achieved two crucial outcomes; i) it provided data-driven metrics for quantifying the impact and monetary value of gender and health, and ii) demonstrated the existence of willing buyers for gender and health co-benefits, indicating the potential market demand for gender. Sistema.bio shared that while there likely is not appetite for a full impact bond-type market for gender and health outcomes, the CIB demonstrates the possibility of a premium price based on the impact generated by the company.

PART 3: CHALLENGES & REFLECTIONS

3.1 CHALLENGES

A set of similar challenges is apparent across the range of actors working, or wishing to work, in the gender-responsive climate blended finance space. These prevent project developers and entrepreneurs from incorporating gender into the design and development of their finance vehicles, while also preventing investors from putting capital into gender equality projects.

- **Demonstrating impact:** Stakeholders, investors, and practitioners repeatedly signaled the lack of standardization in metrics and gender data collection/evaluation as significant challenges for structuring and investing in gender-responsive transactions. Limited or non-disaggregated data can also make globally recognized metrics and criteria neither useful nor relevant.[17] A lack of standardized metrics makes it difficult to set reasonable targets and milestones, which are needed for structuring financial incentives.
- **Moving from short- to long-term thinking:** Short-term outputs of a gender intervention include number of jobs created for women, number of women in leadership positions, number of women as beneficiaries, etc. In contrast, long-term gender outcomes include the transformation of women's livelihoods, women empowerment, and a change in social dynamics and values. While long-term gender outcomes are harder to measure, robust evidence on long-term outcomes of gender lens investing is critical in creating an industry transformation and a paradigm shift in investment practices. There are also challenges around short-term versus long-term funding. Funding cycles may make it difficult to measure changes over a longer period of time. For example, a research project with a five-year timeline is too short to measure transformative changes in gender relations.
- **Pursuing simultaneous climate and gender objectives:** Interviews revealed that there are often two silos of investors—gender lens investors and climate investors. These two silos understand their own investment theses quite well, but are usually not proficient in the other type of impact strategy. This is especially the case for smaller funds that do not possess large TA facilities, or for institutions with limited resources that have to prioritize impact measurement and monitoring.
- **Systemic barriers:** Gender lens investments often fail to achieve their goal due to systemic barriers, such as the disproportionately high representation of women in the informal economy, or the fact that women do not have access to traditional forms of finance due to a lack of collateral. Within the energy sector, these gaps are reinforced by unequal access to education, technical skills, and training opportunities, the lack of company policies to promote gender equality, and low buy-in across the energy

17 More reporting at the project level also translates into more precise and detailed analysis and tracking of gender impact. For instance, Climate Policy Initiative colleagues working on the Global Landscape of Climate Finance noted that while the data available on climate finance is extensive and quite comprehensive, specific data on whether and how this financing is benefiting women is challenging to obtain, as a result of limited data collection and reporting on the project level.

value chain. While deal sponsors and fund managers alone cannot solve for structural gender imbalances, blended finance transactions have benefited from partnering and working alongside larger initiatives.

3.2 RECOMMENDATIONS

To structure energy transactions that incorporate gender outcomes in a meaningful way and overcome some of the above-mentioned challenges, there are steps and opportunities for practitioners that can increase their likelihood of success. Some recommendations are as follows.

Recommendation 1: Concessional capital providers should provide market acceleration services, including design funding grants and TA, when assisting first-time deal sponsors to integrate a gender lens.

The process for comprehensively applying a gender lens within blended finance vehicles can be costly and resource intensive; involving collecting baseline data, developing appropriate metrics, building a robust pipeline, and creating a framework for adequate reporting. This is particularly true within the energy sector, where the link between gender and other impact outcomes are not always explicitly relevant. Findings revealed that acceleration support and design funding were crucial resources for project sponsors, fund managers, and corporates across the board, particularly first-time deal sponsors. Highlighted by the case studies in Part 2, acceleration support provided deal sponsors with critical resources needed to integrate a gender-lens early within transaction design. Acceleration support enable practitioners to design gender action plans, undertake survey data, develop KPIs, and provide frameworks for data collection, impact measurement and reporting. These frameworks also help practitioners contribute to the evidence base on gender impact, by contributing data (including on a sex-disaggregated basis). More metrics specific to the gender-climate nexus as well as disaggregated data can help evolve more significant gender outcomes. The CC Facility is an example of an initiative that provides not only financial but also technical support to help developers of financial instruments incorporate a strong gender lens into the design of their vehicles.

Recommendation 2: Deploy TA and financial incentives together to achieve complementary and coordinated goals.

Beyond Finance exemplifies how TA and financial incentives can mutually reinforce gender outcomes within climate blended vehicles. First, TA is used to assess reasonable gender and climate KPI targets for investees. In turn, financial incentives will be awarded to investees based on the achievement of these KPIs, in the form of an interest rate reduction. Similarly, the asset manager Deetken used TA to improve gender outcomes within large-scale solar projects while partnering with IDB Invest, which provided low interest rates to encourage a transaction to hit its climate and gender milestones. These examples demonstrate the value of leveraging both TA and performance incentives to promote both gender and climate outcomes within a transaction.

Recommendation 3: Practitioners should use TA to move beyond a "counting heads" approach to gender outcomes.

An ongoing challenge for transactions within the RE space is a surface-level or temporary focus on gender outcomes. TA can help enact lasting change by supporting deeper interventions that target structural issues. For example, Beyond Finance uses TA to develop market surveys that lead to better climate adaptation products for women, and ensure that its portfolio companies are appropriate for their intended beneficiaries (e.g., clean cooking stoves).

Further, IDB Invest shared that TA allows project sponsors unfamiliar with gender lens investing to create a baseline for a gender strategy, for example, by using their WEPs diagnostic tool. Here, even smaller allocations of TA can drive a shift in mindset for project developers and provide a framework for incorporating gender strategies within their work.

Recommendation 4: Deal sponsors should seek opportunities to monetize the gender co-benefits of climate vehicles.

While generating investor interest in achieving gender targets alone is difficult to monetize, there is an opportunity for deal sponsors to build investor interest for gender as a co-benefit of commercial climate projects. In this way, the CIBs offer a starting point for determining a revenue stream for "gender credits", as well as identifying the presence of outcome funders. The W+ standard, as issued by WOCAN, provides a way to scale this opportunity, by issuing credits that support both emissions reduction and women's empowerment. Climate blended finance practitioners should consider opportunities to price gender premiums within their climate vehicles, similar to carbon credits.

Recommendation 5: Market research should focus on quantifying the business case for gender equality, including ascertaining market demand and pricing for gender benefits.

It is difficult for practitioners to determine market demand and the price of gender premiums, which is made more challenging given the lack of both disaggregated and standardized gender metrics. Instruments such as the clean technology impact bond provide a starting point, by quantifying positive gender outcomes, and also by demonstrating there are willing buyers. However, WOCAN shared that key research questions to develop a more robust market for gender premiums include quantifying market demand and the profit margins associated with gender premiums, but this often falls outside the scope and ability of practitioners.

More broadly, research is needed that demonstrates how improved productivity for women translates into more income and revenue-generating activities. To do this, better linkages are needed between the research community and blended finance vehicles, to establish impact pathways as well as demonstrate good financial performance. Overall, there is a need to better articulate the relevance and business opportunity gender presents to investors, including non-traditional stakeholders.

Recommendation 6: Investors promoting gender outcomes within climate vehicles should consider equity as their instrument of choice.

Interview findings revealed that equity provides distinct advantages for investors looking to incentivize gender outcomes, despite being a less common instrument compared to loans, grants, and guarantees. Equity, particularly at the pre-seed and seed-stages, provides more opportunity for change relative to other instruments because it often comes in earlier within the structuring of a blended finance transaction, and is often a longer-term investment instrument, ensuring that investors have longer oversight over the implementation of gender practices.

Table 5: Summary of blended finance instruments and the associated opportunities for gender and climate

Instrument	Example opportunities for gender impact
Design acceleration grants	Collecting baseline data and identifying transaction's theory of change and impact pathways, developing gender action plans, designing financial products, creating a framework for adequate reporting
Technical assistance	Enabling financial vehicles to conduct market scoping surveys, determining gender KPIs and scorecards, providing technical training opportunities for staff and customers, build investment pipeline and offering post- investment support to investees
Debt	Linking loans to gender and climate KPIs, whereby cost of loan is reduced if gender goals are met
Equity	Mainstreaming gender within the policies, standards, and practices of the transaction, often provides more opportunity for influence compared to other instruments, due to the earlier stage and longer-term nature of investment.
Guarantees	Guarantees can incorporate gender within transaction due diligence, ensuring that investments fulfill a gender gap

GLOSSARY OF KEY TERMS

Blended Finance: A structuring approach that uses catalytic capital from public or philanthropic sources to increase private sector investment in developing countries to realize the SDGs.

Blue Economy: The sustainable use of ocean resources for economic growth, improved livelihoods and jobs, and ocean ecosystem health.

Catalytic Capital: Financial instruments allocated to transactions with the intent to mobilize private sector investment. In this report, catalytic capital only refers to financial instruments priced below market (concessional) with evidence of the intent to mitigate investment risks and/or enhance the expected returns for private sector investors and deployed through one of Convergence's four blending archetypes: concessional debt/equity, concessionally priced guarantees/insurance, project preparation or design-stage grant funding, and TA grant funding.

Carbon Credit: A carbon credit represents a volume of greenhouse gas (GHG) emission reduction, typically about one metric tonne, created by a specific project or activity, such as reforestation. Carbon credits are verified/certified by specialist agencies such as Gold Standard. Credits are sold by credit generating projects on a "carbon market" to buyers who are seeking to "offset" their own GHG emission production with the carbon reduction represented by the credit. The exchange facilitates carbon neutrality. Part of the credit verification process ensures a threshold of additionality – that is, the GHG emission reduction would otherwise have not occurred if the project was not implemented.

Carbon Market: The primary and secondary financial markets where carbon credits are traded. In the primary carbon market, companies buy and sell carbon credits based on their emissions allowances determined by relevant domestic and supranational regulations. In the secondary market, companies, banks, and other market actors engage in trading of carbon credits to provide liquidity to the market and hedge exposure to future price increases in carbon credits.

Climate Adaptation Finance: Channeling investment to efforts focused on adjusting to the already apparent and expected effects of climate change. Such climate change effects include, but are not limited to, rising ocean levels, the increasing temperature of the oceans, increased frequency and intensity of extreme weather events (hurricanes, droughts, monsoons), and irregular seasonality. Climate adaptation interventions are often linked to the concept of the improved "resiliency" of humankind to the changing biological, ecological, and geological systems of the planet. The term resiliency encompasses, but is not limited to, resilient food systems, resilient livelihoods, and resilient natural systems, like biodiversity.

Climate Blended Finance: The use of blended finance structures to deliver private sector investment to transactions that explicitly aim to produce outcomes that combat and/or respond to the effects of climate change in developing countries.

Climate Hybrid Finance: Channeling investment towards transactions that contain elements of both mitigation and adaptation finance. Sectors can also be considered hybrid if they seek to address mitigation and adaptation outcomes, such as the sustainable agriculture sector.

Climate Mitigation Finance: Channeling investment towards interventions explicitly aimed at limiting the current level of GHG emission output produced by human activity to reduce the future consequences of climate change. It also involves investing in efforts dealing with the removal of GHG from the atmosphere through carbon sequestration methods.

Concessional Capital: Funds provided on below-market terms within the capital structure of a financial transaction to reduce the overall cost of capital for the borrower and/or provide additional downside protection to more senior investors (if in a first-loss position). Concessional capital can be provided through a diversity of financial instruments, including debt, equity, grant funding, and mezzanine capital.

Gender-Responsive Climate Finance: Climate finance that addresses women's specific needs, vulnerabilities, and capabilities to mitigate and adapt to climate change.

Nature-based Solutions: Efforts to protect, manage, and/or rehabilitate ecosystems that can assist in addressing societal challenges, such as food insecurity, climate change vulnerability, and human health. Nature-based solutions are rooted in the concept that healthy natural capital assets are both critical to functioning natural ecosystems and sustainable economic development by yielding shared benefits to modified or human-built systems.

Sex-disaggregated Data: Information gathered and examined separately for women and men. This type of data enables a more detailed analysis of the distinct social and economic disparities between genders and is crucial for generating accurate gender statistics.

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