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PUTTING FINANCE TO WORK FOR GENDER EQUALITY AND WOMEN'S EMPOWERMENT - THE WAY FORWARD

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Executive summary

The 2030 Agenda for Sustainable Development aims for a world in which every woman and girl enjoys full gender equality and all legal, social and economic barriers to their empowerment have been removed. Without gender equality and women's empowerment, the Sustainable Development Goals will not be achieved. Yet investments into gender equality and women's empowerment are lagging behind investments for most other goals.

Implementing commitments to gender equality and women's empowerment requires a range of tools and efforts, all underpinned by financial investments. This paper sets out an overview of what we know about the financing landscape for gender equality and women's empowerment, a way forward in order to ensure more and better financing for gender equality, and some draft principles to guide future efforts.

Official development assistance (ODA) by members of the OECD's Development Assistance Committee (DAC) dedicated to gender equality as a primary objective has stalled at around 4% of all bilateral ODA. A total of 34% of ODA addresses gender equality and women's empowerment as a secondary objective in 2016-17. These data are collected using the DAC gender equality policy marker.

While ODA remains an essential source of financing for gender equality and women's empowerment, the Addis Ababa Action Agenda of the Third International Conference on Financing for Development (2015) commits development actors to a new way of thinking about financing for sustainable development, and official flows beyond ODA are becoming an increasingly important feature. These other official flows include loans that do not qualify as aid; grants to the private sector to soften its lending terms; and funds – such as blended finance – in support of private investment. While screening these flows against the gender marker is not a DAC requirement, 31% of flows were voluntarily screened in 2016-17 and, within that amount, a third of financing flows screened were found to integrate or be dedicated to gender equality.

A range of actors beyond DAC members have a role to play in implementing Agenda 2030: private and public, domestic and international. Some actors and financing types - including impact investing, blended finance and philanthropy - intersect these categories. The number of investors showing interest in different types of commercial and development finance for gender equality is rapidly increasing, as are the approaches used to assess what constitutes "gender investing". These approaches share – at least for now – an emphasis on women's economic empowerment and women's roles in the investee companies. In the future, an important part of the challenge for private and commercial finance is defining what should count as financing for gender equality.

This paper argues that accelerating transformative change and the achievement of gender equality and women's empowerment requires action on three fronts, building on the twin-track approach of i) *mainstreamed* and ii) *dedicated* support for gender equality and women's empowerment. As a minimum step, funders need to ensure that they iii) "*do no harm*" to gender equality and women's empowerment and worsen existing inequalities. These three approaches are complementary. In particular, both dedicated and mainstreamed financing is required.

The OECD and the DAC Network on Gender Equality (GENDERNET) are working with experts within the development finance community. The OECD is now proposing a work-stream that aims to expand the evidence base on financing gender equality, push forward the data and measurement agenda and map financing flows, and provide a platform for learning and exchange across the financing and gender equality policy communities.

Introduction

"We will work for a significant increase in investments to close the gender gap" *Transforming our world: the 2030 Agenda for Sustainable Development.*

Agenda 2030 aims for a world in which every woman and girl enjoys full gender equality and all legal, social and economic barriers to their empowerment have been removed. Without gender equality, none of the global goals will be achieved. Implementing commitments to gender equality and women's empowerment requires a range of tools and efforts, all underpinned by financial investments. Yet investments into gender equality and women's empowerment are lagging behind most other sustainable development goals.

This paper sets out what we currently know about financing for gender equality and women's empowerment, and articulates a fresh way of thinking about financing for sustainable development, bringing together different actors and instruments, each with their own role to play.

Looking ahead, the paper proposes next steps and some emerging principles to guide the work of the OECD and the DAC Network on Gender Equality (GENDERNET) as they develop a compass for more and better financing for gender equality and women's empowerment.

Mobilising sufficient financing remains a major challenge in implementing the 2030 Agenda for Sustainable Development (UN Inter-Agency Task Force on Financing for Development, 2019[1]). When it comes to funding gender equality, it is striking that official development assistance (ODA) dedicated to gender equality as a primary objective has stalled at around 4% of all bilateral ODA (OECD DAC GENDERNET, 2019[2]). While overall ODA that integrates gender equality is on the rise, this constitutes only about one third of total ODA. Recent OECD estimates, using artificial intelligence to classify financial flows of ODA and other official flows (OOF), suggest that Sustainable Development Goal (SDG) 5 may be the third least supported of the SDGs (Pincet, Okabe and Pawelczyk, 2019[3]).

While there are little data from the private sector that are comparable to available ODA data, the International Finance Corporation (IFC) estimates that only 7% of total private equity and venture capital funding in emerging markets goes to female-led businesses (IFC, 2019[4]). These data confirm the conclusions by the review of SDG5 that significantly increased investments are needed to close the resource gaps for this goal, including through the mobilisation of financial resources from all sources. (UN High Level Political Forum, 2017[5]).

The 2030 Agenda aims for a world in which every woman and girl enjoys full gender equality and all legal, social and economic barriers to their empowerment have been removed. Achieving gender equality and women's empowerment are important goals in their own right, and key enablers for accelerating growth and sustainable development, as recognised in the SDGs. Without significant progress on gender equality and women's empowerment, the 2030 Agenda will not be achieved. A substantial body of evidence shows that it makes sense not only in terms of social justice, but also for economic and financial progress. All of humanity should be able to fully contribute to society, to decision-making processes, and to the economy.

Financing for gender equality is often seen as discretionary consumption (Seguino, 2016[6]) when it should rather be seen as an investment that brings not just social, but economic and financial returns. For example, half of the growth in GDP per capita in OECD countries between 1960 and 2010 was due to increased educational attainment, especially among women (Barro, 2010[7]). The World Bank estimates the foregone global wealth due to gender inequality in earnings at around USD 160.2 trillion (World Bank Group, 2018[8]). This equates to roughly six times the combined annual GDP of the United States and China.

Despite this compelling business case, progress still lags behind ambition. Gender inequalities still manifest themselves in every dimension of sustainable development. In 2018, young women were more than twice as likely as young men to be unemployed or outside the labour force and not in school or in a training programme, and women and girls globally are 4% more likely than men and boys to live in extreme poverty (UN Women, Women Count and UN, 2019[9]).

Implementing commitments to gender equality and women's empowerment requires a range of efforts including political will and policy dialogue, community-level mobilisation also engaging men and boys, accountability, data and expertise, institutional and cultural change and effective policies and strategies. **Underpinning all of this is the need to make financial resources from different types of development actors work effectively for the different areas of gender equality and women's empowerment.** According to the data analysed for this paper, development actors can do more to maximise both the quality and quantity of financing for gender equality and women's empowerment.

This paper takes as its starting point that gender equality is a development enabler and a driver for transformative change. For gender equality to become reality, all types of development finance need to better address gender equality and women's empowerment. Such investment in gender equality and women's empowerment would bring returns not just to women and girls, but also would help to finance sustainable development for all. This paper aims to support development practitioners in general, and gender advisors in particular, to better understand the financing landscape.

The analysis in this paper is based on financing data collected by the OECD, in particular against the DAC Gender Equality Policy Marker, a desk review, and telephone interviews with a number of experts and stakeholders. Financing data from 2017 were the latest available during the analysis and drafting of this paper.

The paper sets out an overview of what we know about the financing landscape for gender equality and women's empowerment (Chapter 2), a way forward in order to ensure more and better financing for gender equality (Chapter 3), and some draft principles to guide future efforts (Chapter 4).

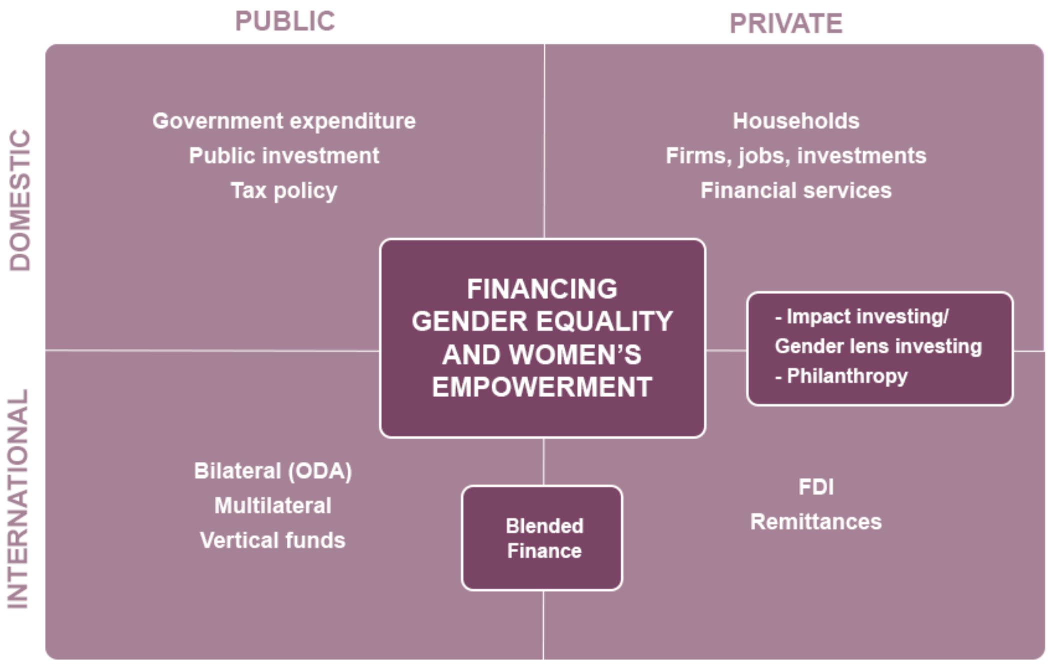
What do we know about the financing landscape for gender equality?

The 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda require financing from a broad range of sources to work together – including for gender equality and women's empowerment. This section outlines the current landscape of financing for gender equality and women's empowerment, highlighting areas with potential for future increased investments. The section maps – as far as is possible based on current data – financing for gender equality and women's empowerment, beginning with an analysis of public investments before outlining newer development mechanisms and instruments with potential to scale up investments, commercial finance, and developing country governments' taxation and expenditure.

While official development assistance remains an essential source of financing for gender equality and women's empowerment, especially in the least developed countries, the Addis Ababa Action Agenda of the Third International Conference on Financing for Development (2015) commits development actors to a new way of thinking about financing for sustainable development. A range of actors and resources have a role to play in implementing Agenda 2030. These include private and public, domestic and international, with some financing types - including impact investing, blended finance and philanthropy - intersecting these categories. According to the analysis undertaken for this paper, new types of financial products and modalities are continuously being developed, and terms may be inconsistently used. Within this complex landscape, many different actors and financing types are seeking to address gender equality and women's empowerment, and others can make further efforts to fund gender equality.

In order to increase investments in gender equality, partnerships and dialogue are key: gender equality specialists need to learn more about the financing landscape, new actors, and forms of financing and instruments to better be able to interact and "speak the language" of financial actors. For this, it is important for development practitioners in general, and gender advisors in particular, to fully understand the financing landscape (Figure 1.). Financing specialists, in turn, can strengthen their knowledge about gender equality and women's empowerment.

Figure 1. Diverse forms of financing have an impact on gender equality



Source: (OECD, 2018[10]), Global Outlook on Financing for Sustainable Development, https://dx.doi.org/10.1787/9789264307995-en.

Figure 1 allows gender equality to be seen in the context of actors' broader goals. Actors can be seen as pursuing an explicit mandate for development, commercial gain, or the broader public good. While existing data is limited, the available information points to significant opportunities for financing gender equality that have not yet been fully realised.

Development finance – finance with an explicit development mandate - remains of central importance

Development finance is an umbrella term referring to financing of many different types with an explicit development goal. Normally understood to include government-backed international finance such as aid, development finance can also include private finance such as philanthropy.

Bilateral official development assistance (ODA) allocated by the members of the OECD Development Assistance Committee (DAC) is and remains an essential source of financing for gender equality and women's empowerment. This aid counted as "bilateral" can be implemented through governments, civil society or multilateral organisations, and invested in private sector instruments (PSIs). The OECD tracks aid that focusses on gender equality and women's empowerment as either a principal (primary, score "1") or significant (secondary, score "2") policy objective, using the DAC gender equality policy marker (Box 1). DAC members screen and report nearly all of their ODA against the gender marker.

Box 1. The 3-point scoring system of the DAC Gender Equality Policy Marker

DAC members as well as some other development actors report their development financing focussed on gender equality and women's empowerment to the OECD, using the DAC Gender Equality Policy Marker. This remains the most established form of measuring development finance for gender equality. The data generated by the marker provides an estimate of funding for gender equality rather than an exact quantification. It is a qualitative instrument. The gender marker is based on a three-point scoring system:

- Score 2: "Principal" objective means that gender equality is the dedicated and primary objective and is fundamental to its design and expected results. The project/programme would not have been undertaken without this objective.
- Score 1: "Significant" objective means that gender equality is an important but secondary – mainstreamed - objective. It is possible that only a portion of the budget targets gender equality objectives, but the amount recorded in the database relates to the entire budget of the programme/project.
- Score 0: "Not targeted" means that the project/programme has been screened against the gender marker but has been found to not target gender equality.

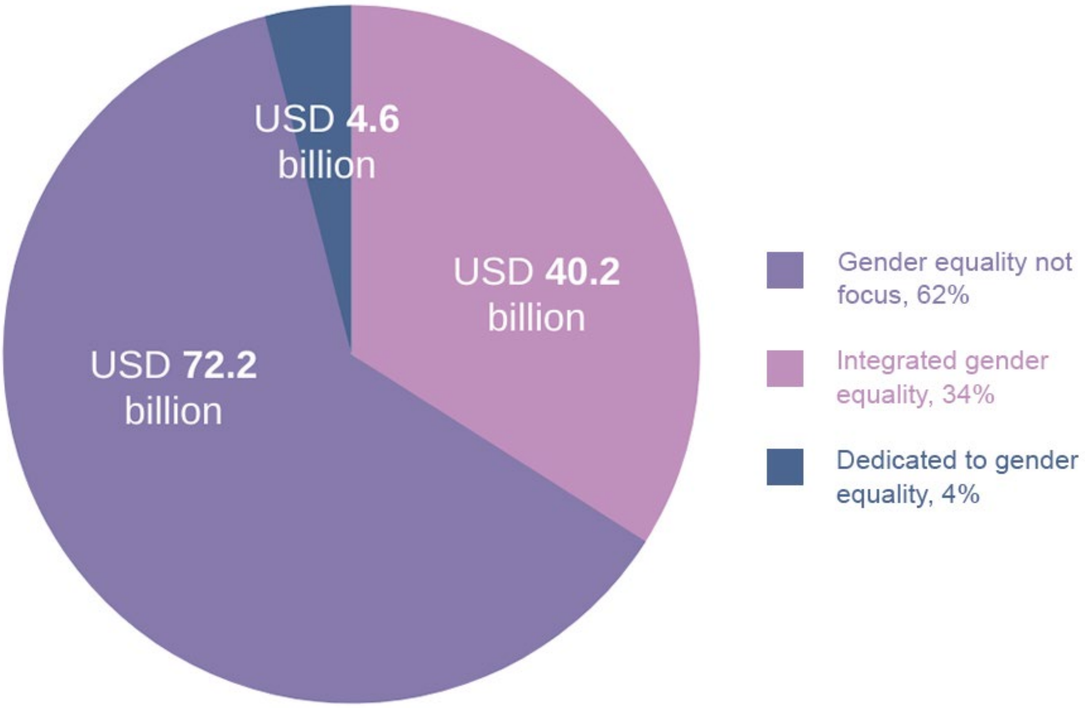
In 2016, the DAC Network on Gender Equality (GENDERNET) developed a Handbook for using the gender marker, which includes minimum recommended criteria as well as examples for scoring development activities to ensure a common understating for reporting against the marker (OECD DAC GENDERNET, 2016[11]). DAC members screen and report nearly all of their ODA against the gender marker.

This approach allows for tracking implementation of the twin track approach recommended by the DAC, which combines gender mainstreaming (usually score 1) and dedicated programmes targeting women's empowerment (usually score 2) (OECD DAC GENDERNET, 2016[11]). Because gender equality is not limited to one sector, the DAC marker allows for tagging financing across all sectors, financing types and recipients of different kinds, including projects, sectoral budget support, support to NGOs, support to specific funds managed by multilateral organisations, pooled funding, donor country personnel and other technical assistance, and scholarships in donor countries.[1]

Despite the commitment to mainstream gender equality, only 34% of official development assistance by the members of the OECD Development Assistance Committee addresses gender equality and women's empowerment as a secondary objective. Funding for dedicated programmes with the primary goal of achieving gender equality and women's empowerment remains consistently low and currently stands at 4%, and 62% of aid did not address gender equality in 2016-17[2] (Figure 2).

Figure 2. More than one third of ODA by DAC members addresses gender equality

Average per year, 2016-17

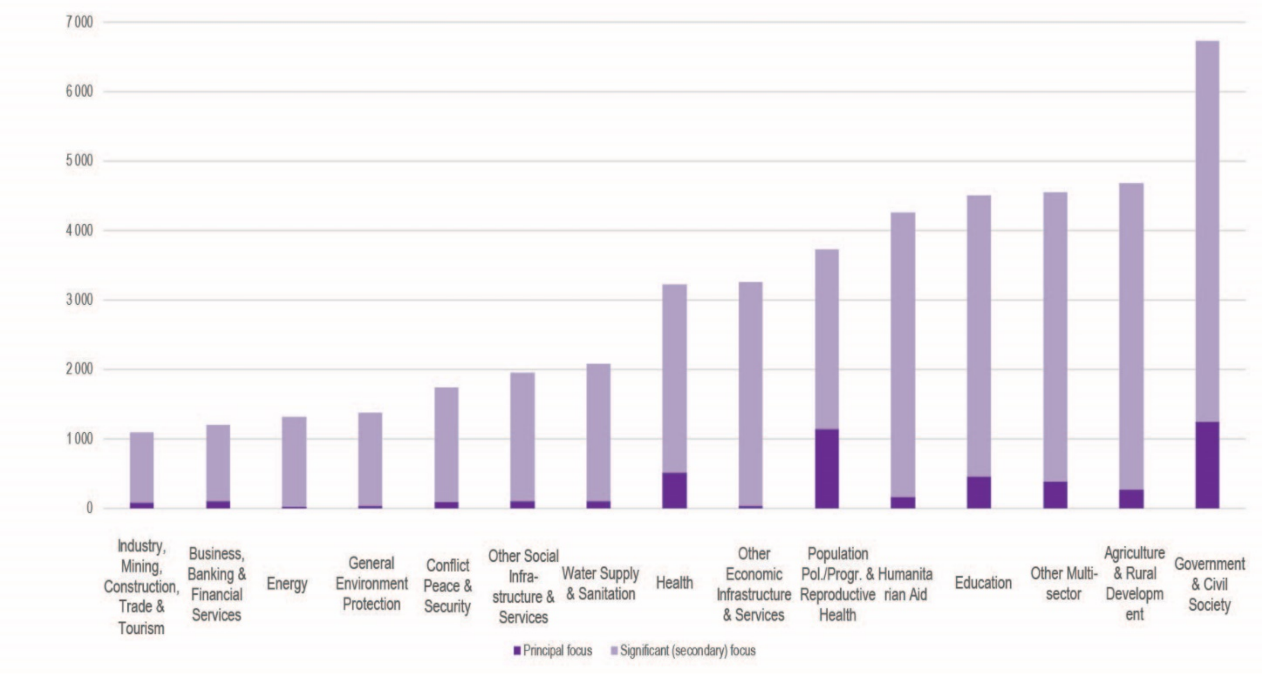


Note: ODA by 30 DAC members,
Source: (OECD, 2019[12]) Creditor Reporting System https://stats.oecd.org/Index.aspx?DataSetCode=CRS1.

Most of the USD 44.8 billion of bilateral allocable aid by DAC members that integrates or is dedicated to gender equality is allocated in the sectors of government and civil society (USD 6.7 billion), agriculture and rural development (USD 4.7 billion), "multisector" (e.g. environment protection and food assistance) (USD 4.6 billion), education (USD 4.5 billion) and humanitarian aid (USD 4.3 billion).

Figure 3. Much of bilateral ODA addressing gender equality is committed in the social sectors

2016-17 average of ODA that focusses on gender equality by sector



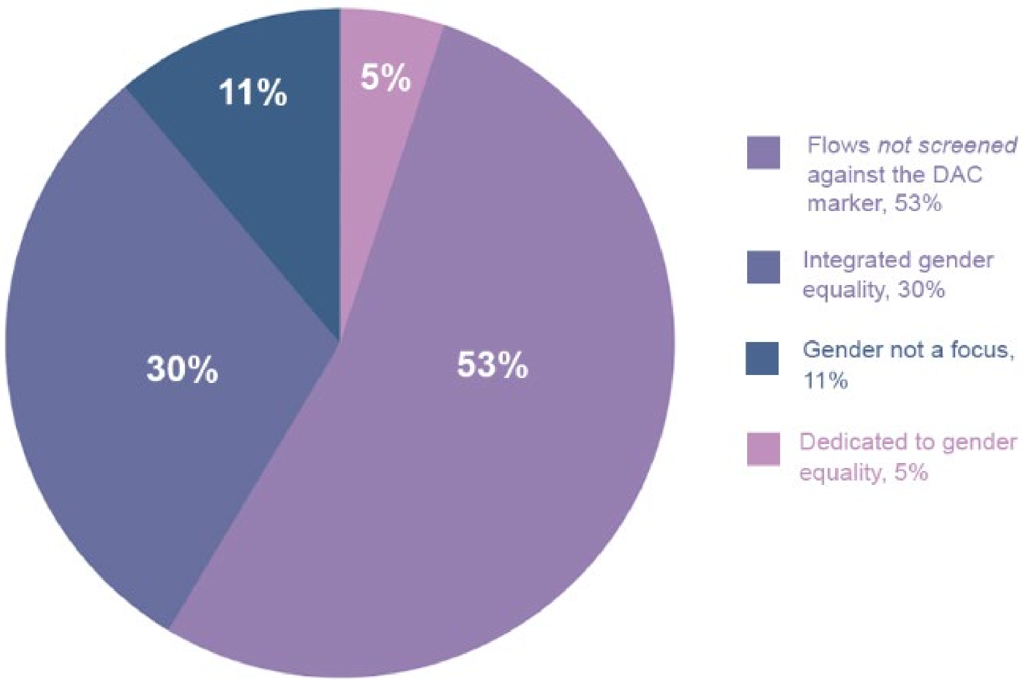
Note: USD million 2017 prices
Source: (OECD, 2019[12]) Creditor Reporting System https://stats.oecd.org/Index.aspx?DataSetCode=CRS1.

Bilateral aid in the productive and economic sectors of industry, business, banking and energy traditionally have a low focus on gender equality and women's empowerment. For example, only 25% of aid in the business, banking and financial services sector and only 13% in the energy sector integrate gender equality, indicating an opportunity for donors to examine their support for gender equality in these areas. In contrast, 68% of aid in the agriculture sector, 57% in the education sector and 48% in the health sector integrates or is dedicated to gender equality. (OECD DAC GENDERNET, 2018[13]).

Multilateral organisations have a major role to play in supporting gender equality and women's empowerment in developing countries, and their financing flows in support of gender equality are likely sizeable, though under-reported. For example, the World Bank Group's International Development Association (IDA), one of the largest sources of assistance for the world's poorest countries[3], providing concessional loans and grants, has had gender equality as a special theme for a number of years.

While there is no single or streamlined system used by all multilateral organisations to track their outflows focussed on gender equality, some institutions use their own systems. In 2017, the multilateral ODA integrating gender equality reported to the OECD (i.e. multilateral organisations' spending using core resources) amounted to USD 11.5 billion in total, representing 35% of reported outflows. This figure is however based on partial reporting of the gender-focussed ODA by 11 multilateral organisations[4] out of the 37 reporting their total outflows to the OECD. This figure does not include the outflows by UN Women or UNFPA using their core resources, nor any of the other official flows (OOF) beyond ODA allocated by multilateral organisations, such as the World Bank's International Bank for Reconstruction and Development (IBRD). There is scope for multilateral organisations to increase the reporting of their ODA flows against the gender marker.

Figure 4. Limited data are available about ODA for gender equality by multilateral organisations



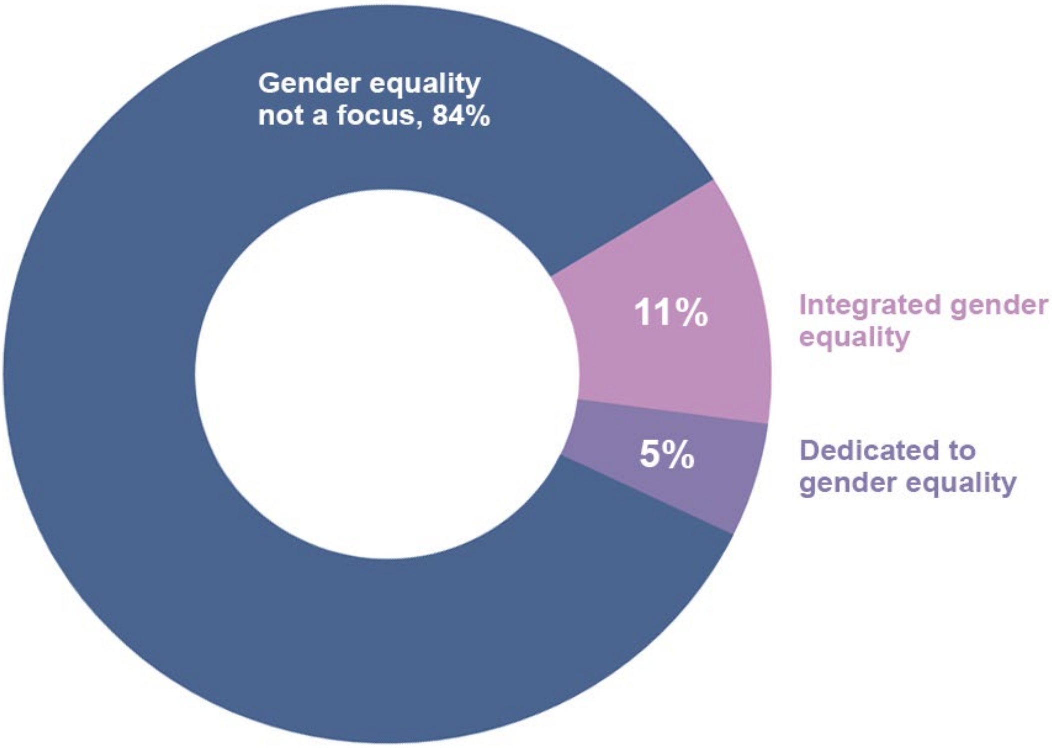
Note: Figure based on partial reporting against the DAC gender equality policy marker by 11 multilateral organisations
Source: (OECD, 2019[12]) Creditor Reporting System https://stats.oecd.org/Index.aspx?DataSetCode=CRS1.

Out of the 11 multilateral organisations reporting their ODA outflows focussed on gender equality, much of the funding was allocated in the sectors of energy, education, and transport and storage (OECD, 2019[12]).

There is no global special-purpose vertical fund dedicated to gender equality and women's empowerment that would be comparable in size to, for example, the Global Environment Facility (GEF) and the Green Climate Fund (GCF) for climate change.

Private philanthropy forms an increasing part of overall financing, and is becoming prominent in certain segments of the development landscape. In 2018, 26 of the largest foundations working for development reported data on their investments for development to the OECD, following the same statistical standards and definitions as for bilateral ODA. The bulk of philanthropic flows reported to the OECD are grants delivered through national or local civil society organisations. Of the 26 foundations reporting their flows to the OECD, a relatively small proportion (16%) of financing currently focusses on gender equality and women's empowerment, corresponding to USD 1.2 billion in 2017 (Figure 5.).

Figure 5. Existing data of philanthropic flows indicate a limited focus on gender equality



Source: 2017 data from (OECD, 2019[12]),Creditor Reporting System, applying the DAC gender equality policy marker to foundations' outflows. https://stats.oecd.org/Index.aspx?DataSetCode=CRS1.

Within the flows focussed on gender equality, the sectoral focus of private philanthropy is dominated by support for reproductive health and population policy, and health, led in particular by the Bill and Melinda Gates Foundation (BMGF).

Women's funds are essential actors in the funding ecosystem for gender equality and women's empowerment, as they help fund actors that drive change towards gender equality. Their primary purpose is to mobilise resources to distribute to women's rights organisations and movements, rather than implementing programmes or services directly. Women's funds are resourced by governments, private companies, and philanthropy, as well as individuals, and are financially relatively small. They remain in the millions at most, and are dwarfed in comparison with investments made in mainstream vertical multilateral funds (OECD DAC GENDERNET, 2016[14]). However, many women's funds currently see their budget increasing, with the Global Fund for Women raising a record USD 20 million in 2018 (Global Fund for Women, 2019[15]) and the MATCH Fund's grant-making portfolio growing by 60% the same year (MATCH International Women's Fund, 2019[16]).

Women's funds are able to reach local women's organisations and movement through small grants[5], in a context where bilateral and multilateral donors are often unable to directly fund small organisations with limited absorption capacity. Women's funds are international, regional or targeting specific groups of women. Among them are the Global Fund for Women, Mama Cash, African Women's Development Fund, the International Indigenous Women's Fund (AYNI), Astraea Lesbian Foundation for Justice and FRIDA the young feminist fund.

Official flows beyond ODA are becoming an increasingly important feature of the overall development finance landscape. These other official flows (OOF) include loans that do not have sufficient grant element to qualify as ODA; grants to the private sector to soften its lending terms; export credits in support of trade; and funds – such as blended finance – in support of private investment.

While screening against the gender marker is not a DAC requirement for such flows, 31% of total OOF[6] were voluntarily screened against the DAC gender marker in 2016-17 and, within that amount, a full third were found to integrate or be dedicated to gender equality**.** While this coverage is not yet sufficient to be statistically reliable,[7] this demonstrates the potential of other official flows and the value that additional screening would bring in understanding the financing landscape for gender equality. OOF could play an increasingly important role – especially as countries progress up the income ladder and access to ODA declines. Depending on countries' income levels, OOF can dominate ODA across sectors critical for gender equality — including in economic and productive sectors as well as governance, civil society, and social sectors.

An International Task Force is currently working to implement total official support for sustainable development (TOSSD), a new statistical standard designed to measure all officially supported flows into developing countries including non-concessional loans, guarantees, and blended finance instruments. Unlike traditional measures, TOSSD will assign all flows – including ODA – to the SDGs that they support – meaning that for the first time, the international community could gain a picture of most of the officially supported financing for gender equality.

Commercial finance of all forms brings benefits that can be harnessed for gender equality

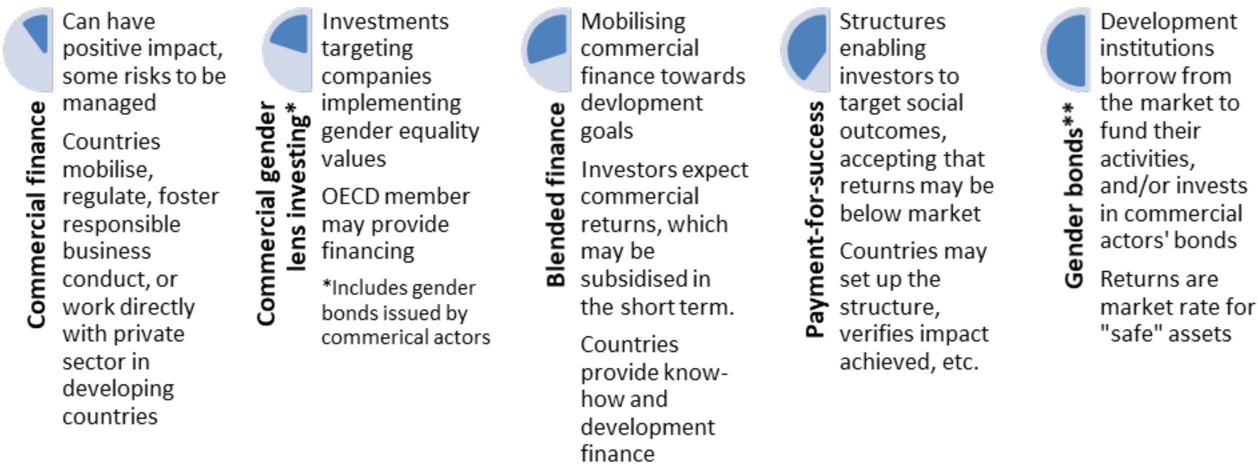
In the aftermath of the global financial crisis, the 2030 Agenda for Sustainable Development signalled a sea change in global expectations of business and commercial finance. Increasingly, citizens see business as playing an integral role in driving social and development outcomes such as gender equality. This section outlines a range of approaches to seeking development return from these commercial financial resources.

The different financing approaches can be seen, as in Figure 6., on a continuum ranging from prioritising commercial return to prioritising social return, including gender equality and women's empowerment (in the figure, starting on the left in grey with commercial finance all the way to development institutions' gender bonds in blue on the right). Many of these approaches are relatively new, at least in developing countries, and their potential for gender equality outcomes is not yet fully explored. There is no one "best" approach. Instead, each approach outlined in this section may be suited to achieving different outcomes, in different contexts.

Many private finance approaches come together under broad definitions of **gender lens investing (GLI)** and social impact investing (SII). GLI helps links commercial investors and private asset managers with gender equality outcomes through a range of instruments. Publicly listed GLI for example channelled an estimated USD 2.4 billion globally to private companies in 2018, while a scan of private equity and venture capital GLI (i.e. investments into companies not listed on the stock exchange), found 58 funds with USD 1.3 billion invested as of 2017 (Biegel, Hunt and Kuhlman, 2017[17]). The growth of GLI is part of a blossoming SII market, with an estimated total of USD 228 billion in impact assets under management in 2018 (Global Impact Investing Network, 2018[18]).

Such concepts are differentiated from strictly **commercial finance** (far left of Figure 6.) by intentionality. SII and GLI investors invest *in order* to fund social issues, in addition to seeking a profit. While purely commercial finance can often have a positive impact by allowing more women to be employed or increasing their wages, this is incidental to commercial return.

Figure 6. Leveraging private finance achieves both social and commercial returns



Note: The different financing approaches can be seen on a continuum of prioritising commercial return in grey on the left-hand side and prioritising social return, in blue on the right-hand side. These terms and categories are fluid and evolving – payment-for-success instruments, for example, can be used as a form of blended finance. Individual initiatives may include features of more than one type.
Source: Authors' elaboration.

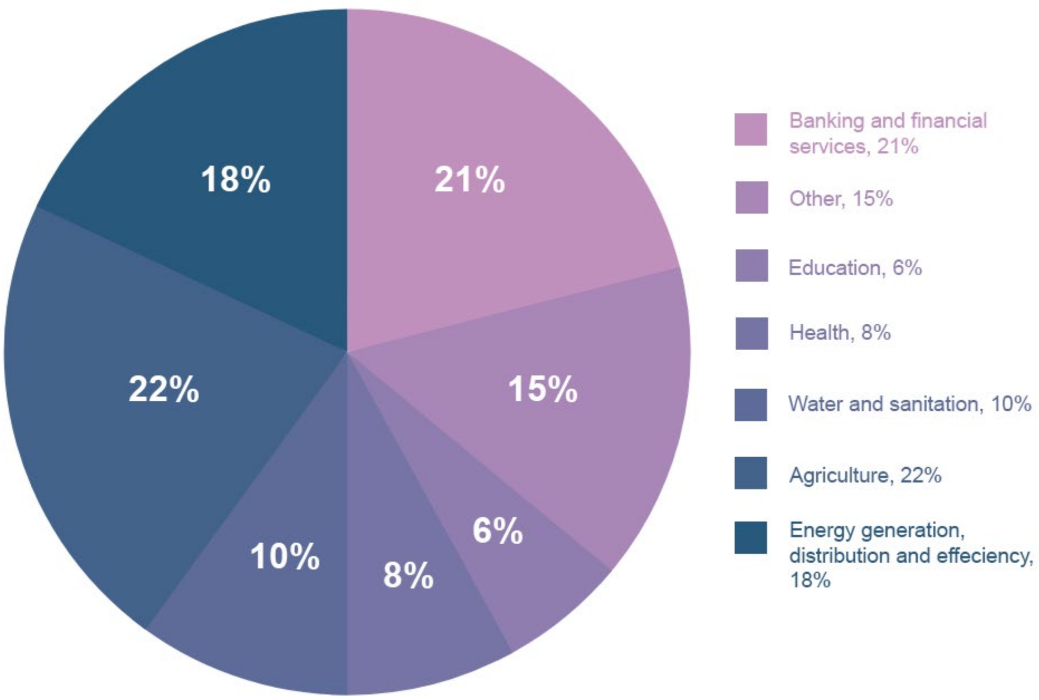
Gender bonds are one of the best-known instruments for channelling private capital towards gender equality goals. An estimated USD 1.3 billion in gender bonds were issued in 2017, compared to USD 187 billion in climate bonds issued the same year (Women's World Banking, 2018[19]). This is a dynamic and fast-moving area. For example, the United Nations Population Fund (UNFPA) and the Islamic Development Bank (IsDB) are partnering on the design of a development impact bond to invest in adolescent girls' social, economic and health development in the Arab States region (UNFPA, 2019[20]).

Gender bonds are issued by both development finance institutions (DFIs) (as pictured far right in Figure 6.) and by the private finance sector (as pictured second to left in Figure 6.). Standards for what constitutes a gender bond are still unclear, and while data for these two types of gender bonds are often reported together, they play very different roles. While DFIs issue gender bonds to finance their core development investments for gender equality and women's empowerment – which could include support for policy reform, CSOs or health – private sector gender bonds are issued to fund more commercial goals such as investing in women-run companies.

Blended finance is an approach recognised for its importance in funding the implementation of the SDGs, and with potential to drive gender equality goals. Appearing in the centre of Figure 6., blended finance can use a multitude of instruments to achieve both development and commercial goals. Blended finance can be used across a range of sectors critical for achieving gender equality.

In 2019 the OECD undertook a survey asking 190 funds and facilities how their activities aligned to the SDGs. 55% of funds and facilities said they were aligned with SDG 5, up from 35% in 2016 (Basile and Dutra, 2019[21]). Results show that blended finance activities aligned with SDG 5 were undertaken to a large extent in the sectors of agriculture, banking and energy (Figure 7). More work could be undertaken to explore these results further, including the sectoral and regional focus of activities, as well as whether the financing is dedicated to gender equality as a primary objective or integrates gender equality as one of several objectives.

Figure 7. Most blended finance activities aligned with SDG 5 are undertaken in the economic and productive sectors



Source: (OECD, 2018[10]), Funds and Facilities Survey 2019. https://dx.doi.org/10.1787/9789264307995-en.

Payment-for-success instruments (PFSs)[8] have sparked interest for blended finance operations in social investment or social services, where financial returns may be below the market rate. Investors provide up-front capital that is repaid over time by an outcome funder, contingent on the achievement of agreed-upon results. For example, in India, Educate Girls was a payment-for-success partnership with the government, the community, and volunteers, helping to ensure higher enrolment and school attendance for girls. (Gustafsson-Wright et al., 2017[22]).

What constitutes gender investing?

The number of investors showing interest in these different types of commercial and development finance is rapidly increasing, as are the approaches used to assess what constitutes gender investing. According to the research conducted for this paper, these methods vary according to both the thresholds that companies are required to meet, and how they are certified. They share – at least for now – an emphasis on women's economic empowerment and women's roles in the investee companies, and often have less of a focus on the intended outcomes or activities of the companies concerned.

The criteria companies use to screen their investments for gender equality, include, in rough order of most to least common:

- Having at least 30% women in top level management and/or board appointments, or a commitment to reach such goals (for example, through Canada's Catalyst Accord 2022).
- Being a signatory or member of voluntary commitments such as the UN Global Compact's Women's Empowerment Principles.
- Ranking over a certain threshold (for example, top 200 companies) in the raking by Equileap, an advocacy group that assesses working arrangements, pay equity, and representation of women in the workforce.

- Receiving a certification or citation by a government agency such as Australia's Workplace Gender Equality Agency.
- A calculation of the social "Return on Investment" through impact assessments such as Singapore's Impact Investment Exchange.

Some key instruments have gained international visibility over the last years. For example, the G7 development finance institutions (DFIs) – at the intersection of commercial and development finance – accepted the "2X Challenge" in 2018. This initiative calls for collectively mobilising USD 3 billion in investments "in the world's women". Since its inception, a number of DFIs beyond the G7 members have joined the challenge. To fulfil its goal, 2X has identified five criteria for investments relating to: women in entrepreneurship (e.g. 51% women ownership), leadership (e.g. 20-30% of women in senior leadership or 30% of women on the board), employment (e.g. 30-50% of women in the work force), consumption (e.g. products that specifically benefit women) and investments through financial intermediaries (30% of the DFI loan proceeds or portfolio companies meet the 2X criteria). Fulfilling one of these criteria makes the project "2X eligible" (2X Challenge, n.d.[23]).

Looking ahead, an important part of the challenge for private and commercial finance is defining what should count as investments or financing for gender equality. Today, there are no uniform, internationally-agreed standards for the criteria underpinning gender investing across the public and private sectors. As this paper has shown and as summarised in Box 2, different approaches co-exist and are applied to varying degrees. International, high-quality statistics should normally be subject to some verifiable standard to ensure credibility. Among bilateral DFIs, this need has been recognised for example by the Gender Finance Collaborative, a grouping of 14 DFIs and the European Investment Bank (EIB), which has developed shared financing principles, definitions and methodologies that promote the integration of "gender smart" decision making.

Box 2. Measurement is a key challenge in ramping up financing for gender equality

The most established form of measuring development finance for gender equality remains the OECD DAC Gender Equality Policy marker. The marker is agreed by and mandatory for DAC members in their financial reporting to the OECD, and allows for the collection and analysis of financing data from the past two decades (the marker system was introduced in 1997). Beyond the DAC, private foundations and some multilateral organisations and non-DAC bilateral donors are now also using the marker and reporting their financial flows to the OECD. In addition, some civil society organisations use the marker as a tool in their internal reporting.

Other approaches to measuring development finance for gender equality include self-declaration of alignment to SDG 5, or meeting certain specific gender equality goals and commitments – for example, investing in companies with women making up at least 30% of the board.

In private finance, the vast majority of actors do not screen their investments for gender equality; and even when they do screen, according to the research undertaken for this paper there are not yet internationally-agreed standards for what constitutes high-quality gender smart financing.

In public finance in developing countries, there is little cross-country comparable data on sectoral expenditure, and even less information exists on expenditure towards gender equality or the impact of taxation on gender equality outcomes.

Increasing the coverage and consistency of measurement is a key issue, as it allows for comparability across actors and flows, enhancing the quality of financing. There is a need for internationally-agreed standards and principles for what constitutes high-quality, gender-smart investing, across the public and private actors. The DAC Gender Equality Policy marker offers a reference point and there is scope for its increased use.

Governments have a critical role to play in financing gender equality

Both governments of developing countries and donors can play significant roles in ensuring sufficient resources for gender equality. Concrete ways in which governments can show leadership for and implement commitments to gender equality are how they spend public money and how they raise public revenues, i.e. ensuring that their public financial management systems are gender-responsive. For example, increased government spending during a recession (fiscal stimulus) has been seen to help decrease the gender employment gap (Akitoby, Honda and Miyamoto, 2019[24])

Taxation system design is increasingly seen as a way of supporting inclusive growth, including gender equality. Taxation fuels government expenditure, and is the world's largest source of financing for sustainable development over the long term. It amounted to an estimated USD 4.3 trillion globally in 2016, more than double the volume of all cross-border flows (OECD, 2018[10]).

Taxation systems can have powerful and complex impacts on gender equality that are not yet fully understood. It would be worth studying this more in-depth. For example, explicit gender biases in tax systems are uncommon, but tax systems may implicitly treat men and women differently, and may serve to address or exacerbate underlying gender inequalities. Taxing the informal sector may affect women disproportionally, and they are less likely than men to benefit from tax privileges on private savings (Grown, Bahadur et al., 2006[25]). Except in Africa, evidence suggests women are generally more tax-compliant than men (Stead, 2019[26]).

The Addis Ababa Action Agenda states the importance of achieving greater transparency and accountability in how **public expenditure** affects gender equality and women's empowerment, through gender responsive budgeting (GRB), i.e. the application of gender mainstreaming in the budgetary process. Having systems in place to track and make public allocations for gender equality is also an SDG indicator (5c1). Given that the budget process is the gateway for resource allocations, as well as a key determinant of the standards and qualities of public policy formulation, it is natural that the budget be considered for its likely impact on gender-responsive public governance (OECD, 2017[27]).

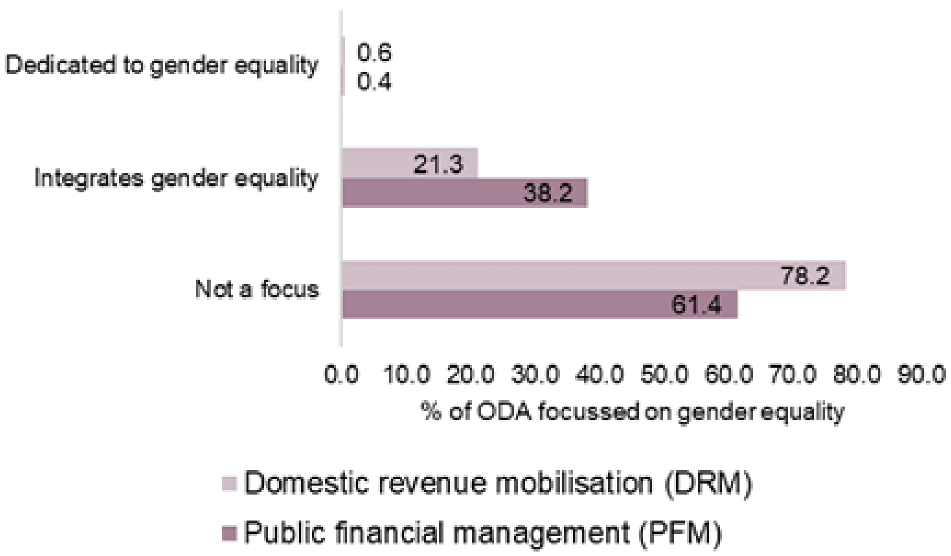
In developing countries that are performing well in the area of GRB, gender responsiveness is mainstreamed within an already robust public financial management system. These countries do not have standalone systems to track allocations to gender equality, but rather mainstream gender in each step of their budget planning, execution and reporting processes (OECD/UNDP, 2019[28]).

However, in 2018 only 19% of developing countries had comprehensive tracking systems in place for the allocations for gender equality and women's empowerment and made gender budget allocations available publicly. While nearly all partner countries – 90% – had policies or programmes in place to address gender equality goals, less than half of partner countries – 43% – reported having adequate resources allocated to support gender equality and women's empowerment activities, pointing to an important policy-implementation gap (OECD/UNDP, 2019[28]).

The donor community is active in supporting both public financial management (PFM) and domestic resources mobilisation (DRM). For both PFM and DRM, dedicated support to gender equality as a principal objective is extremely limited, as Figure 8 shows. Donors can do more to integrate gender equality into DRM (tax administration and reform).

Figure 8. Donors could do more to integrate gender equality into their support for countries' fiscal systems

Shares of ODA focussed on gender equality in the sectors of domestic resource mobilisation and public financial management



Source: (OECD, 2019[12]) Creditor Reporting System https://stats.oecd.org/Index.aspx?DataSetCode=CRS1

More and better quality financing is needed to accelerate gender equality and drive transformative change

The range of financial tools and modalities available present promising opportunities to achieve the "significant increase in investments to close the gender gap" set out in Agenda 2030. Financing for gender equality and women's empowerment goals needs to increase in quantity and quality across a range of sources, including ODA but also other types of financing. The way that donors use their financial and other resources – and the partnerships that are generated – can allow for tapping into a wider set of resources, whether dedicated to gender equality and women's empowerment as the primary objective, integrating gender equality goals, or ensuring that financing "does no harm" to gender equality.

To make the most of existing development financing, leverage new sources of financing, and increase the impact of these funds for gender equality, additional steps are needed. This section sets out those steps. Different financing types are best suited to different needs – there is no "one size fits all". Almost all of the approaches and instruments surveyed in this paper benefit from partnerships, with commercial, philanthropic, government and other forms of finance reinforcing and working alongside more traditional forms of development finance. At the same time, some caution is needed as the privatisation of public goods may eliminate human rights protections and further marginalise those living in poverty (UNGA, 2018[29]).

In order to accelerate transformative change and the achievement of gender equality and women's empowerment, it is necessary to both mobilise all types of financial resources for gender equality, and to maximise its impact for gender equality and women's empowerment.

This requires action on three fronts, building on the twin-track approach of i) mainstreamed and ii) dedicated support for gender equality and women's empowerment recommended by the DAC. As a first minimum step, funders need to iii) ensure that they "do not harm" gender equality and women's empowerment and worsen existing inequalities. These three approaches are complementary when supporting gender equality and women's empowerment – in particular, both dedicated and mainstreamed financing is required.

There is an important role for the financing community in better understanding the positive impacts of addressing gender equality and women's empowerment, and for gender specialists in understanding opportunities for integrating a gender perspective into financing of all types and in developing international standards to recognise when this has been achieved.

Financing dedicated to gender equality and women's empowerment as a principal objective remains rare

While there is no internationally agreed target for development financing dedicated to gender equality and women's empowerment, this has been the subject of international discussions and even of commitments. In all cases, the current levels of bilateral aid to gender equality seem insufficient: only 4% of bilateral ODA is dedicated to gender equality as a principal objective, a percentage that has remained roughly constant for over a decade. For example, the Gender Equality Advisory Council for Canada's G7 Presidency in 2018 recommended that at least 20% of aid is dedicated to gender equality. Meanwhile, in its 2017 Feminist International Assistance Policy, Canada commits to dedicating 15% of its aid to gender equality. Some donor countries, such as Sweden and the Netherlands, have already reached these levels of aid dedicated to gender equality, while many others are far below this percentage.

Outside of ODA, an estimated 10% of blended finance transactions cite gender equality and/or women's empowerment as a dedicated focus (Convergence, 2019[30]). Of the other financing types examined in this publication, an estimated 5% of philanthropic flows are dedicated to gender equality and women's empowerment as a principal objective. There is scope to increase these shares of development financing dedicated to gender equality and women's empowerment by private actors.

Innovative partnerships, in combination with donor funds, can help increase funding dedicated to gender equality. In building partnerships, external partners bring additional financing, but also local knowledge, sectoral expertise, and the capacity to innovate. The Equality Fund, launched by the Government of Canada in 2019, provides an example of an innovative partnership among actors able to provide dedicated financing to gender equality and women's empowerment, particularly targeting women's organisations and movements (Equality Fund, 2019[31]).

Such dedicated financing should target areas with the greatest need and where other financing may not be as effective. This includes support for women's voice and agency, and reaching those women and men, girls and boys that are the most at risk of being left behind. It also implies ensuring funding for local women's organisations and feminist movements. Dedicated financing can also be used to catalyse additional financing for gender equality, such as in the case of the Equality Fund.

Mainstreamed support is not yet high enough

Mainstreamed support for gender equality has been the prioritised approach to achieving gender equality and women's empowerment since the 1995 Beijing Declaration and Platform for Action. The UN Economic and Social Council (ECOSOC) has defined mainstreaming as a "process of assessing the implications for women and men of any planned action, including legislation, policies or programmes, in all areas and at all levels (…)", noting that the ultimate goal is to achieve gender equality (UN ECOSOC, 1997[32]). Gender mainstreaming is grounded in feminist theoretical frameworks with the objective of shifting power imbalances between genders (Rao and Kelleher, 2005[33]). While mainstreaming has been criticised for not having achieved the transformative results expected, it has certainly played some role in advancing gender equality and in placing the issue as high on the global agenda as it is today. However, only 34% of bilateral ODA currently integrates (mainstreams) gender equality, allocated to a large extent in the social sectors. Available data indicate that the figures are equivalent or lower for other development providers. There is scope for development actors to step up their mainstreamed financial support.

For commercial finance, there are no internationally-agreed standards for private gender investing and only limited data are available. Mainstreaming gender equality can be an opportunity for increasing commercial returns for the private sector, but this opportunity is not always taken into consideration. For example, a company with operations in Ghana and Sierra Leone found that its female labour force had lower absenteeism and higher loyalty to the company, despite the fact that female workers made up a minority of its total labour force. Increasing its focus on women employees brought positive outcomes for the company, since female employees were more productive and stayed with the company longer (Authors' interviews, 2019[34]).

Ensure actors "do no harm", as a first step

The bulk of financing of all types does not yet integrate a gender equality perspective. This does not mean that these flows are gender neutral. UNCTAD has found, for example, that while investment may bring positive gender impacts, multi-national enterprises may also increase gender inequality, if the jobs created for women remain confined to low-paid activities or occur in the informal sector, if employment and working conditions are inadequate, or when training is insufficient for women to remain employed when industries upgrade to higher skills requirements (UNCTAD, 2014[35]).

Similarly, aid programmes that do not explicitly target or integrate gender equality, or where no gender analysis has been undertaken, may still have negative or positive impacts on inequalities. For instance, there are striking examples of programmes in the energy sector reported to the OECD as "not targeting" gender equality but that are aimed to unlock opportunities for economic growth and trade by increasing investment in small-scale infrastructure led by the private sector, or to strengthen local sustainable renewable energy supply for vulnerable communities (OECD, 2019[12]). These programmes likely have the potential to have an impact – positive or negative – on gender inequalities.

As a starting point, the financing that does not yet focus on gender equality should at the very least be aligned to a minimum standard of "do no harm" to gender equality and women's empowerment. This can be done, for example, through the use of safeguards and performance standards, corporate guidelines, and international standards. While important steps have been taken, for example through voluntary frameworks such as responsible business conduct (RBC), minimum standards for doing no harm to gender equality need to be more consistently applied across financing types.

Draft principles and next steps

The OECD and the DAC Network on Gender Equality (GENDERNET) are developing a work programme over the coming years to share good practices on more and better financing for gender equality and women's empowerment. This will draw on data and analysis, and cross-disciplinary specialists from diverse policy communities. To pursue this work, this paper proposes a set of draft principles to guide future efforts to put development finance to work for gender equality and women's empowerment, including local women's organisations and feminist movements.

The OECD and the DAC Network on Gender Equality (GENDERNET) are working with experts within the development finance community on the issues raised in this paper over the coming years. The OECD proposes a work-stream that aims to expand the evidence base on financing gender equality, pushing forward the data and measurement agenda and mapping financing flows at the country and sectoral level, and provide a platform for learning and exchange across the financing and gender equality communities.

It is clear that the gender equality and finance communities are not well linked up, and need to learn to “speak each other’s language”. To achieve more and better financing for gender equality, dialogue, knowledge exchange and mutual learning need to be advanced between gender and finance specialists across the different types of actors. High-quality, innovative partnerships are key to ensure more and better financing for gender equality, and increasing the dialogue between actors is essential.

Making the most of available financing also requires a better understanding of country- and sector-specific needs, and aligning financial resources to meet those needs. In-depth case studies is an optional aspect of this work, which could be developed based on member interest and support.

To take this discussion forward, the following emerging principles can help guide efforts to put development finance to work for gender equality and women’s empowerment.

Box 3. Draft principles to guide future efforts to put development finance to work for gender equality and women’s empowerment

Objective: Development and financing actors should work together to put all types of development finance to work for the full spectrum of areas linked to gender equality and women’s empowerment, with the ultimate goal of accelerating transformative change and progress towards the SDGs. The OECD and the DAC Network on Gender Equality’s (GENDERNET) will continue to work on this topic.

A proposal for initial draft principles to guide future work:

1. There is a need to increasingly take advantage of the respective strengths of the gender equality and financing/investment communities by creating partnerships, innovating, and amplifying lessons learned on financing for gender equality and women’s empowerment.
2. As a growing number of financing actors engage in supporting gender equality, standards of what constitutes “gender investing” need to be refined, more consistently applied and, for some new forms of financing, developed with the private sector.
3. More development actors can report against the DAC gender equality policy marker as an accountability tool for monitoring financing, and actors already using the tool can screen more of their financing against the marker. This would help expand the evidence base to give a clearer picture of financing available.
4. Development actors can increase and focus the financing dedicated to gender equality and women’s empowerment as a principal objective, targeting it to the areas of greatest need and those where other financing cannot reach. This including financing to local women’s organisations and feminist movements.
5. Development actors can expand the shares and types of financing that “mainstream” concerns for gender equality, exploring approaches that can meet private sector and government objectives alongside gender equality goals.

As a minimum requirement and first step, all financing needs to “do no harm” to gender equality and women’s empowerment. Actors should enhance their policies and practices in order to achieve this.

Glossary

Blended finance

The OECD defines blended finance as the strategic use of development finance to mobilise additional finance towards sustainable development in developing countries. Blended finance then is a broad approach rather than a specific instrument. While the classical idea of blended finance is using official development finance to mobilise commercial private finance, some blended finance can also include mobilisation of private development finance, for example, philanthropy. Some actors include the mobilisation of other sources of official development finance.

Bond

A bond is a way for a company or entity to borrow. Governments, public entities, banks or companies issue bonds that pay a fixed interest rate and can usually be traded in secondary markets. Issued by governments, sovereign bonds are usually considered very low risk, and so carry a low rate of interest. Companies usually pay higher interest rates. Some entities such as multilateral development banks can also issue bonds at low rate (price) and may target investments in specific sectors or goals. Some gender bonds – for example, those issued by the World Bank Group or the Asian Development Bank – fall into this category.

Development finance

Development finance is an umbrella term that includes financing with an explicit development goal as its primary mandate. Normally understood to include government-backed international financing such as ODA and OOF, development finance can also include private financing such as philanthropy. A proportion of this private financing is included in the OECD's Creditor Reporting System (CRS) database.

Equity (finance)

Equity is a share in the ownership of a corporation or other entity. This means that equity is riskier but returns can be higher than other forms of investment. Equity may also bring a higher degree of influence over the corporation. For example, "common stock" usually brings the owner the right to vote for the board of directors and corporate objectives. Depending on the proportion of equity they hold, some owners may negotiate a seat on the board, as the International Finance Corporation does for some transactions, providing a greater degree of influence over how the business is run and its alignment with development goals.

Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) is often cited as representing private investment in its entirety, but it is in fact a specific sub-category. To count as FDI, investment must flow across a border, with the foreign (investing) firm holding a "lasting interest" of at least 10% of the domestic (target) firm's equity. FDI can be "greenfields" – leading to the creation of new assets; or "brownfields" – involving the take-over and/or transformation of existing assets. Similarly FDI can be "horizontal" – investing into the same business activity abroad as the company performs at home; or "vertical" – investing into a company that would serve as a supplier or distributor. One of the main forms of FDI is Mergers and Acquisitions (M&A), where one company takes over another. The OECD is one of the world's main data-gatherers and standard-setters for FDI statistics.

Gender

This term refers to the socially constructed roles associated with being male and female and the relations between women and men and girls and boys. Unlike sex, which is biologically determined, gender roles are learned and change over time and across cultures.

Gender blindness

Gender blindness is a failure to recognise that the roles and responsibilities of women and girls, and men and boys, are ascribed to or imposed upon them in specific social, cultural, economic and political contexts. Gender-blind projects, programmes, policies and attitudes do not take these different roles and diverse needs into account. Therefore, they maintain status quo or may even exacerbate gender inequalities.

Gender equality

Gender equality requires that women and men are treated equally, including by ensuring that they have the same rights, opportunities and responsibilities, equal access to public goods and services, and equal outcomes. Equality and non-discrimination are fundamental human rights under international law, as established by the International Bill of Rights and subsequent treaties, in particular the 1979 Convention on the Elimination of Discrimination Against Women (CEDAW).

Gender lens investing in public companies

A company that has sold its stock to the public is often generally listed on a stock exchange. Gender lens investing often includes investment in the stocks of publicly listed companies. Public listed companies' stock can be freely traded on a stock exchange but these sales do not provide the company with additional financial resources. A public company can increase its available financial resources for example by selling new stock; by retaining its earnings rather than disbursing them as dividends to shareholders; or through borrowing.

Gender lens investing private equity and venture capital

Gender lens investing can also be made into privately held companies – that is, those not listed on the stock exchange – through modalities such as private equity and venture capital. Such investments normally mean the investor will own part of the company concerned ("equity") and often involve a much closer relationship between the investor and company management – will more direct impact on how the company is run.

Gender mainstreaming

The process of assessing the implications for women and men of any planned action, including legislation, policies or programmes, in all areas and at all levels. It is a strategy for making women's as well as men's concerns and experiences an integral dimension of the design, implementation, monitoring and evaluation of policies and programmes in all political, economic and societal spheres so that women and men benefit equally and inequality is not perpetrated. The ultimate goal is to achieve gender equality. (1997 agreed conclusions of ECOSOC).

Guarantee

A guarantee is an agreement where the guarantor (often a government) agrees to fulfil certain conditions of a financial agreement in the event that they are not otherwise met. For example, the government may guarantee to repay the amount outstanding on a loan in the event of default. Governments may also provide guarantees covering specific risks such as the risk that revenue or demand may be lower than anticipated by investors, or risks from changes in exchange rate or price.

Public-private partnerships

There are at least two distinct types of public-private partnership. Public-private partnerships and networks are collaborative arrangements among private actors and others. A PPP is an operational partnership whose board or other governance structure includes both public officials and private individuals; a network is a global or regional organisation that supports and brings together public sector, private sector and civil society organisations with similar goals to facilitate knowledge sharing.

The term PPP is also used in infrastructure development, where it refers to a range of contractual forms used in project finance. Such contracts share risk between the public and private sector. For example, a build-operate-transfer (BOT) contract is a type of PPP that grants a concession from the government to a private company to finance, build and operate an asset for a set period. The company receives revenue from user charges or the government to recoup its investment. At the end of the period, control of the asset is transferred back to the government. Infrastructure PPPs may include performance requirements in the contracts that target specific social or economic outcomes.

Payment-for-success instruments (for example, social impact bonds)

Payment-for-success instruments are innovative financing mechanisms by which governments or enter into agreements with service providers such as social enterprises, non-profit organisations, and investors, to achieve specified social outcomes. A prominent example is the social impact bond - some gender bonds are also social impact bonds. The investors receive return subject to the achievement of these pre-defined social outcomes, usually based on expenditure savings realised by the government.

Women's empowerment

Women's empowerment refers to a process of personal and social change through which women gain power; that is, they are in a position to make meaningful choices and exercise control over their own lives and decision making processes. Empowerment requires that women have the ability and opportunity to influence the decisions that affect their lives, both public and private. Women's empowerment is a necessary condition for meaningful gender equality. Gender equality and women's empowerment are linked but distinct concepts.

Women's economic empowerment

Economic empowerment is the capacity of an individual to participate in, contribute to and benefit from growth processes in ways that recognise the value of their contributions, respect their dignity and make it possible to negotiate a fairer distribution of the benefits of growth. Economic empowerment increases women's access to economic resources and opportunities including jobs, financial services, property and other productive assets, skills development and market information. It is also about the participation and visibility of women in economic areas.

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Notes

[1] The gender policy marker is traditionally applied to bilateral allocable aid. It excludes, for example, core contributions to multilateral organisations, general budget support, imputed student costs, debt relief, administrative costs, development awareness and refugee costs in the donor country.

[2] Financing data from 2017 were the latest available during the analysis and drafting of this paper.

[3] In the fiscal year ending June 2018, IDA commitments totalled USD 24 billion.

[4] The 11 multilateral organisations reporting parts of their ODA flows against the DAC gender marker in 2017 and included in this preliminary analysis are: ILO, UNDP, Nordic Development Fund, UN Peacebuilding Fund, International Development Association (IDA), Arab Fund (AFESD), Green Climate Fund, Asian Development Bank, Central Emergency Response Fund, UNICEF and Inter-American Development Bank. While 16 multilateral organisations applied the DAC gender marker in their reporting to the OECD, for some the reporting was incomplete and others did not report any ODA but only OOFs.

[5] The average grant size is USD 15 000 for the Global Fund for Women, and USD 22 000-33 000 per year for Mama Cash. FRIDA fund offers grants of USD 5 000.

[6] This calculation was made on a bilateral allocable aid basis.

[7] The OECD Secretariat generally analyses flows when more than 50% of all funding has been screened.

[8] In some countries these are called Social Impact Bonds or Social Benefit Bonds.