

***Attention to Gender and Power in
Rebuilding Economies***

***Recommendations for DFAT in the
Aftermath of COVID-19***

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Executive Summary

Women historically experience significant challenges to accessing capital and resources in pursuit of starting and maintaining businesses. This reality has forced women-led businesses, or family businesses where the primary borrower is a woman, to adapt and take flexible and creative approaches in order to survive and thrive. In the face of the COVID-19 pandemic, there is a tremendous opportunity to learn from the resiliency of women facing these day-to-day challenges, and to identify and address barriers to equitable economic redevelopment outcomes. Specifically, this is an opportunity to develop and apply policies and approaches that elevate the entrepreneurship of women and other marginalized groups, rather than maintaining biased investment practices that perpetuate disproportionate power dynamics and systems.

In responding to the economic crisis resulting from COVID-19, it is clear that we must take care not to leave behind women-led businesses or businesses that have a heavy impact on women. **In coordinating response efforts across governments and donor agencies, we must include women proactively in response design and, further, learn from their experiences and resiliency in order to improve the traditional economic system moving forward.**

Introduction

Women-led enterprises are often praised for their resilience and adaptability in responding to challenges unfaced by non-marginalized entrepreneurs. While there is merit to this praise, it is important to note that the ways in which many women-led enterprises operate are not resilient and are, in fact, quite fragile. Though many women-led enterprises have demonstrated the ability to succeed despite additional challenges, this success is due to a merit of survival, rather than a reflection on the system itself. **For women to be able to respond to the current economic crisis due to COVID-19, to withstand future crises, and to thrive, there must be higher-level systems change and an emphasis on checking traditional assumptions about finance.** We can learn a great deal from women-led enterprises and what they have done to survive ongoing difficult circumstances in the best of times, in order to improve the system and enable its long-term resilience.

We use the phrase “resilience” here in imagining a post-COVID-19 restructure of the traditional investment approach to be more equitable. “Resilience” has been used frequently in the context of the global COVID-19 pandemic. However, in this brief we take a specific definition that **incorporates an outlook on resilient systems, rather than resilient individuals**, noting that economic resilience relies on an entire ecosystem of actors (Norris et al., 2007). **We aim to not simply imagine a recovery that will enable individual businesses to operate in a resilient way but, rather, to restructure the overall business market so that it is more resilient for all actors. Cultivating a resilient market system will require a shift in mindset to value stability as a business approach, challenging traditional finance techniques which overemphasize exponential growth.**

In this COVID-19 economic recovery process, it is exceedingly important to pay attention to gender, and it is not too late, nor too difficult, to do so. In fact, the Australian Department of Foreign Affairs and Trade (DFAT) has already been cultivating relationships with local women-led enterprises and implementing successful programming for several years. DFAT can, and would be well advised to, continue to build on these community assets to influence decision-making toward an equitable and resilient recovery.

For the purposes of this brief, we will examine women-led businesses and businesses whose primary borrower is a woman. We aim to use this scope in order to focus on the specific challenges that women face, while recognizing that many businesses might not identify as “women-led,” yet still have women in leadership roles in the business. This behind-the-scenes role of women may be especially true in the context of the Pacific, which is home to many family-run businesses.

Supporting Women-Led Businesses is Essential

Women’s Economic Participation

As the pandemic continues across the world, women’s economic participation is crucial in rebuilding economies. There is strong evidence to suggest that women are particularly affected by crises in general, and data already demonstrates that women are disproportionately impacted by the COVID-19 pandemic (UN Women, 2020). It is also widely known that women’s economic participation is correlated with better economic outcomes (Asian Development Bank, 2018). In knowing this, we understand that, “The advancement of women’s economic empowerment will be essential to leading a fast recovery from the impact of COVID-19, and to building a more resilient and equitable future for everyone” (Coffey, 2020, para. 2). One way to support women’s engagement in the economy is to invest in women-led businesses and businesses with women as the primary borrowers. Another method is to facilitate knowledge sharing through the convening of relevant stakeholders to support women’s access to customers, suppliers, and information.

There are several benefits of engaging women in business efforts and strengthening businesses that already exist. First, “Economically empowering women will increase the creation of new micro and small businesses that will generate economic activity, both in urban centers and rural areas” (Asian Development Bank, 2018, p. 5). In supporting women to direct their skills toward businesses, the labor market can increase. Women may also add to increased business productivity and economic growth (Asian Development Bank, 2018). Empowering women to remain in the economy contributes to long-term economic stability, “Gender equality has been termed ‘smart economics’ for nearly a decade. Scholarly literature has increasingly linked gender gaps in entrepreneurial activity and labor force participation to lower levels of economic growth... it has been suggested that countries can add at least 15% to their GDP by closing gender gaps” (Asian Development Bank, 2018, p. 5).

The Current Opportunity

It is clear that an opportunity exists to address disparate effects of the crisis on women, while contributing positively to economic growth – and the opportunity is timely. Women-led businesses are in a moment of particular risk. This means that women’s economic empowerment, core to influencing positive economic growth, is also at risk, and thus our efforts to rebuild economies are at stake.

Separate from the impacts of COVID-19, the way that the investment landscape currently operates presents extreme difficulty to female business leaders in typical times. For example, women often experience more challenges in accessing formal financial mechanisms, and “Women in developing countries are 17 percent less likely than men to have borrowed formally” (UN Women, 2020, p. 4). Due to the economic impacts of COVID-19, these challenges may be exacerbated for small and medium-sized businesses, which possess less cash on hand, lower inventory, and limited credit options (UN Women, 2020).

In focusing on small and medium-sized businesses during this time of crisis, “All SMEs have a limited capacity to absorb the shock of the COVID-19 outbreak...in the case of women-run SMEs, this lack of resilience is exacerbated by their lower access to financial services and assets, information and communication technology (ICT), and business networks, which are more readily available to men” (UN Women 2020, p. 2). Consequently, women-run businesses, especially those on a smaller scale, may be especially susceptible to bankruptcy.

DFAT’s Priorities

While the challenges facing women-led businesses are pertinent and timely, the opportunity to support women-led businesses also matches DFAT’s stated COVID response goals. Empowering women-led and women-impacted enterprises was incorporated within two of the designated high-priority areas for DFAT in COVID-19 responses: stability and recovery. The stability theme names, “We will place a particular focus on the most vulnerable. This includes maintaining Australia’s strong support and advocacy for initiatives to enhance gender equality and address gender-based violence, which will increase as societies are placed under strain” (DFAT, 2020, p. 11). Furthermore, the recovery theme states, “We will invest in gender equality and women’s economic empowerment. Women are shouldering much of the economic burden of COVID-19. Inclusive and equitable economic growth is essential for strong communities, social cohesion and economic resilience” (DFAT, 2020, p. 12). An overarching goal of, “protecting the most vulnerable” is also explicitly named and prioritized across COVID-19 responses.

It is not surprising that DFAT has named an explicit vision to prioritize women and girls in their COVID-19 economic responses, as DFAT has been working for several years at this intersection. DFAT already has trusted relationships that have been developed with local partners and organizations, as well as expertise that has been acquired through project learnings, which are assets that can be built on. Pacific RISE, Pacific Women, and Investing in Women are three successful programs run through DFAT which seek to empower women, both socially and economically.

Pacific Women Shaping Development is an initiative which focuses on advancing political, social, and economic opportunity for women across the Pacific. In response to the COVID-19 pandemic, “Pacific Women’s Support Unit continues to support 159 partners across its portfolio of 177 gender equality initiatives in 14 Pacific Islands, funded through the Australian Government” (Pacific Women, 2019b, para. 3). Advancing gender equality through inclusive growth, Investing in Women has similarly carried out a timely response through programming, “Australia’s Investing in Women program is helping neighbouring countries respond to the economic impacts of the crisis for women. Under the program, funds are being redirected to an emergency relief and resilience facility to support women’s small and medium-sized enterprises in Southeast Asia. This is supporting existing businesses to continue to operate and is investing in new female-led businesses” (DFAT, 2020, p. 11). Finally, Pacific Readiness for Investment in Social Enterprise (Pacific RISE), a DFAT-funded initiative which seeks to, “facilitate a social impact investment market in the Pacific” (Pacific RISE, n.d., para. 2), has responded to the crisis by leveraging the power of its networks and programs. Over the years, the on-the-ground partners and relationships that have been developed allow for trust and buy-in from communities in the region. Further, because Pacific RISE has already set up infrastructure to connect financial actors to women-led enterprises, and ensures a gender lens is adopted across activities, the program was well-positioned to respond in a swift way that would not perpetuate inequity. Lessons learned from Pacific RISE’s COVID response are detailed in [this policy brief](#).

Leveraging the trust and relationships that have been built through these programs, and providing ongoing support, is important for continued investment in women's economic empowerment goals and is especially prescient in this COVID-19 time.

Learning From, and Improving, the Investment System

Investing in women-led businesses is an important aim in economic recovery. In order to rebuild more robust and sustainable market systems, we must also examine bias and unequal structures of power within the current system to learn from and improve it. These considerations to challenge the status quo should be two-fold: the stability of businesses should be valued over growth goals and power dynamics across parties should be addressed throughout the investment processes.

Valuing Stability over Growth

Women-led businesses face particular challenges, and thus, have evolved to adapt to these realities. In a sense, women-led businesses are modeled to optimize investments, as they tend to focus on stability rather than growth (which may be due to a lack of access to traditional capital and markets). J.P. Morgan's study on small-business owners notes, "Despite earning less revenue in their first year, experiencing slower growth in subsequent years, and being far less likely to receive external funding, female-owned small businesses are just as resilient as their male-owned counterparts" (Lindzon, 2019, para. 1).

Rather than prioritizing growth and risk, women-led businesses may be more likely to focus on stability and slower growth due to resource constraints. In preparing to withstand crises, these are valuable traits that are often overlooked. Investors must appropriately value the full spectrum of businesses within an economy, recognizing that growth is not always synonymous with success and that there are ample benefits of seeking incremental, stable growth. These businesses make up the majority of the economy, and are vital to the market systems and value chains within the economy, but are at the same time traditionally undervalued and experience more challenges in accessing investment than businesses with exponential growth strategies. Fully appreciating the role of women-led businesses in valuing stability requires an understanding that all businesses are not uniform and that traditionally valued approaches to finance may not be universally successful for all enterprises or business models.

While women-led businesses to date have had to adapt in order to survive on less resources, this should not be the norm. Women-led businesses deserve equitable levels of investments and resources, as this can contribute to economic growth. Further, "Research shows that if women had the same access to credit, markets and technology, the ability to increase returns, particularly in the informal sector, would significantly increase" (Coffey, 2020, para. 8). A deliberate aim to consider alternative investment approaches, which value stability, rather than growth, and focus on allocating resources to women-led businesses with consideration for the needs of the enterprises on the ground, is essential. Jessica Schnabel, global head of IFC's Banking on Women, states, "Too often, women are overlooked in the design of financial solutions. Now more than ever, it's important for banks and fintechs to specifically and intentionally include women in their COVID-19 responses" (International Finance Corporation, 2020, para. 14).

Power Dynamics in Investment Processes

Criterion Institute has worked with the Pacific RISE program to analyze gender and power dynamics in impact investment deal-making through [a power analysis framework](#). This process yielded seven key dynamics to pay attention to in order to allow for an equitable deal-making process, including knowledge, access, decision making, timing, transparency, risk sharing, and alignment and incentives. From this research, Criterion Institute understands that, “In traditional funding, the preference for high-growth scale equity as the ‘best’ kind of opportunity is normative. Yet, such investor-driven ambitions of scale may wholly be inappropriate in social finance contexts -- whether that is because of the cultural context, the stage of a market’s development, or simply (and importantly) that the well-being of communities is intended to be valued on par with financial return, but is not accounted for in traditional models” (Criterion Institute, 2020, p.2).

Given the vast economic impacts of COVID-19 thus far, and those yet to occur, it will be particularly important **to also check assumptions and bias about traditional finance when allocating resources to women-led enterprises**. Women-led enterprises, due to resource constraints, have often resorted to business models focused on stability, rather than growth. This finding contrasts the traditional pressure to emphasize growth at scale. In this time of crisis, the value in this approach and the resilience it carries is even more important and applicable.

A power analysis is essential to inform how DFAT influences market systems to become more equitable and sustainable in a long-term path over recovery. In this framework, investors and intermediaries ensure that enterprises have a wide range of financial models to consider in decision-making and are not led into simply adopting a traditional structure. Timing, which refers to whose time frame matters most and who sets the pace in deal-making, is an equally important dynamic to consider in COVID-19 economic recovery. The likely urgent needs of capital recipients must be considered and incorporated into collaborative, flexible timelines. Women-led enterprises, especially smaller enterprises, experience time-pressure around when capital is issued and require flexibility from investors in the timelines in which they are expected to prove profitable.

The DFAT-funded Pacific RISE program is an excellent example of empowering women-led businesses in times of crisis, with an eye toward equitable processes. In one example, Pacific RISE has partnered with Good Return, an Australia-based NGO, to begin an investment program. Noting power dynamics and in particular, the “risk sharing” dynamic identified by Criterion Institute and Pacific RISE, “Good Return works with financial service providers to de-risk loans to businesses, including women’s businesses that may otherwise fall short of accessing commercial capital. The organisation typically does this through building the capacity of a business and providing a loan guarantee – reducing the risk to the financial service provider” (Coffey, 2020, para. 12). Focused on empowerment of women and their communities, Pacific RISE, “works closely with financial stakeholders to reframe their understanding and consideration of women’s financial needs by integrating a gender lens across investing practices and process and including a strong focus on coaching and mentoring” (Coffey, 2020, para. 15). Good Return is one example of a strong relationship with an intermediary cultivated within the Pacific RISE program that has resulted in more equitable investment processes in the region. This model further demonstrates how Pacific RISE has built relationships with a variety of on-the-ground actors and has bridged knowledge between financial and

social stakeholders. Now, in a time of crisis, the program has been able to build on these existing partnerships in the region to respond to the crisis in an equitable way.

Recommendations for DFAT

In responding to the economic crisis caused by COVID-19, DFAT can ensure that its recovery efforts are equitable and specifically address gender and power considerations. As a leader in the gender-lens investing field, DFAT's efforts have the power to impact more than just their own partnerships and recovery efforts. The approaches of other donor agencies can be influenced by the factors that DFAT pays attention to and signals value around, such as bias. Our recommendations include opportunities for DFAT to direct financial resources, as well as tangible actions and leadership positions that DFAT can take to signal best practices to the field.

DFAT can promote a power analysis framework and encourage financial intermediaries to incorporate considerations of power and bias when allocating resources. In particular, power dynamics in decision-making and timing should be addressed and women-led enterprises should be introduced to a range of financial models beyond an emphasis on growth and traditional formats.

We recommend that investments in women-led enterprises be “right-sized” during this time of crisis. Right-sizing investments involves moving beyond addressing the gap in investment that women-led businesses face to look at the investment structure and terms of investment along with the business size. Right-sizing investment, therefore, implies not only access to investment and credit, but also a balance between investors' and entrepreneurs' needs through appropriate risk-sharing mechanisms.

There is a necessity to invest in women-led enterprises in the short-term to ensure that the businesses do not go bankrupt. In the long-run, these enterprises deserve a “right-sized” allocation of resources in order to thrive beyond the crisis and thus contribute to economic growth in the process. In particular, it is important to, “Provide gender-specific financial support services for women entrepreneurs, including debt relief, cash inflow, and support related to care and domestic work, as well as re-skilling to meet current demands related to health needs (such as medical supplies),” as well as to, “Boost the access of women entrepreneurs to information and communications technology and financial services, including through gender-specific low-interest loans, deferred payments and tax exemptions” (UN Women, 2020, p. 5). Support to women-led enterprises should be intentional, deliberate, and abundant.

There is an opportunity for DFAT to step into a position of leadership to act as a central convener and hub of knowledge and partner relationships during this time. DFAT is uniquely positioned to connect investors, NGOs, enterprises, policymakers, and other stakeholders to achieve collaborative results. With DFAT's history of working with many women-led enterprises, as well as the Department's familiarity with the organizations working at the local and grassroots levels, the most impacted stakeholders can be prioritized and offered a seat at the table. Past research points to the need for coordination of organizations during times of crisis, in order to build equitable, resilient responses, “The happy medium may be loosely coupled organizations (to better respond to local needs) that are able to coordinate or collaborate (to facilitate access to their resources)” (Norris et al, 2007, p. 138).

In addition to coordination, a hub can provide one central place for women-led and impacted enterprises to source information, “To increase women's engagement and empowerment in a range of

businesses...establish a hub where knowledge, skills, and advice for women can be accessed” (IADB, 2020, p.29). A knowledge hub in this model can reinforce the notion that traditional investments are not universally successful and can offer alternative investment ideas to the enterprises that are designed and right-sized for their needs on the ground. At a systems-level, DFAT can signal to the field that traditional investment practices should be challenged and increased attention paid to the types of investments being asked for on the ground rather than those which might be initially offered.

Some evidence also suggests that having access to a “cohort” of other enterprises, where women can build and strengthen trust through deep relationships, can increase individual and emotional resilience of female entrepreneurs in times of crises, thus strengthening the resilience of the market system as a whole (TDI, 2020). There is an additional opportunity for DFAT to strengthen and streamline gender-equitable efforts internally, by sharing key learnings and best practices across sub-teams.

DFAT should also **advocate for the inclusion of sex-disaggregated data, another important recommendation for ensuring equitable responses to COVID-19**. This step is vital, as it will provide data in which to pursue policy solutions that impact women. It can also provide evidence for changing or adjusting decisions. A 2020 report from UN Women states, “Yet data disaggregated by sex and analysed with a gender lens are lacking and little investment has been made to ensure these are available to policy makers. Without data and evidence to drive policy it is equally apparent that response plans are largely gender blind” (UN Women, 2020, p.7).

Due to the urgency in COVID-19 responses, decisions are being made based on past data and research, which might not encapsulate the scope of need in this unique pandemic. Capturing current sex-disaggregated data will allow decision makers to truly understand how women are being impacted in the face of the pandemic and can illuminate the path for more targeted solutions. Specifically, data should be disaggregated, “related to the outbreak by sex, age, gender identity, disability and other vulnerability factors” (Pacific Women, 2020a, p. 9).

The acquisition of detailed data will provide insight for financial providers on unmet needs, as well as information on business ownership (Women’s World Banking, 2020). Specifically, **this data could prove useful to track measures of financial control and autonomy in order to further assess women’s economic empowerment and participation in the time of the crisis** (Women’s World Banking, 2020). Furthermore, this increased information will be useful in understanding how to adapt and change systems to be more resilient in preparation for another similar event (Iskenderian, 2020, para. 13).

Conclusion

In this time of crisis, and in the efforts to rebuild, it is more important than ever to incorporate gender and power-related considerations in responses. Initiatives focusing on women-led enterprises, and enterprises with a female primary borrower, are one mechanism to ensure that women are participating in the economy and able to contribute to a country’s economic growth. While these businesses have typically experienced challenges to accessing resources, their experience during “typical times” offers valuable information into how systems must be adapted in order to be more equitable. Using this information, and building on DFAT’s history of leading successful programming in the area, we recommend a series of four action points for DFAT to ensure gender equitable COVID-19 responses:

- Avoid bias throughout the process of dispersing funds to enterprises and check assumptions about traditional finance and funding processes
 - Consider the value in a focus on stability of businesses rather than growth
 - Consider power dynamics within investment processes
 - Consider alternative investment models outside of traditional finance, which integrate enterprise needs into the design, terms, and size of the investment
- Support “right-sizing” investments into women-led enterprises and enterprises with a female borrower
- As a leader in the space, act as a central convener and knowledge hub
 - In this capacity, DFAT can signal the necessity of challenging traditional finance to the field
- Advocate for increased and ongoing collection of sex-disaggregated data, particularly data that informs women’s financial access and control

With these action items, DFAT will be able to lead and influence recovery efforts that more fully support women-led and women-impacted businesses, toward a stronger economic recovery overall. Building on what has been learned from the necessary adaptations women have adopted in their businesses in order to survive, and often prosper, despite increased challenges to entrepreneurship, will improve investment practices broadly to ensure that they do not continue harmful power dynamics. In doing so, DFAT can support the development of a more resilient and equitable market system that will also prove better prepared to withstand future crises.

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