IMPACT INVESTING IN SOUTH EAST ASIA

UPDATE 2020-2022

INVESTING IN WOMEN | APRIL 2023

ACKNOWLEDGEMENTS

This study was carried out with the support from Investing in Women, an initiative of the Australian Government. The report presents the insights from impact investments and gender lens investments across Southeast Asia between 2020 and 2022, with a focus on Indonesia, the Philippines and Vietnam. Building on previous reports, the report also assesses trends in impact investing and GLI activity in the region between 2007 and 2022.

We are grateful to Investing in Women for supporting and guiding us in this endeavour. The team would also like to gratefully acknowledge and thank Andrew Rowell for his guidance and suggestions.

We would like to express our thanks to DevLearn who shared insights on GLI with the team and supported in completion of the study. We would also like to thank all investors and other stakeholders who provided useful insights on impact investing and GLI trends across the region as well as the three focus countries.

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On the cover: Increasing numbers of women-owned or -led enterprises in the South East Asia region are growing their businesses with capital from gender lens investments.

Photos: Investing in Women

Disclaimer: *This report was commissioned by Investing in Women. Views expressed are not necessarily the views of the Australian Government.*

Every effort has been made to identify relevant impact investors and deals from publicly available information at the time of data collection (Dec 2022-Jan 2023). Any investors interested to ensure their work is reflected in future analysis by Investing in Women are encouraged to contact communications@iwa.asia.

COMMON ACRONYMS

ADB	-	Asian Development Bank
ANGIN	-	Angel Investment Network Indonesia
ASEAN	-	Association of South East Asian Nations
AUD	-	Australian Dollar
AVCJ	-	Asian Venture Capital Journal
DEG	-	Deutsche Investitions- und Entwicklungsgesellschaft
DFC	-	U.S. International Development Finance Corporation
DFI	-	Development Finance Institution
ESG	-	Environmental, Social, and Governance
FMO	-	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (Dutch Development Bank)
FSSI	-	Foundation for a Sustainable Society, Inc.
GIIN	-	Global Impact Investing Network
GLI	-	Gender Lens Investing
ICT	-	Information and Communication Technology
IDR	-	Indonesian Rupiah
IFC	-	International Finance Corporation
IW	-	Investing in Women
IWEF	-	Indonesia Women Empowerment Fund
MFI	-	Micro Finance Institution
MSME	-	Micro, Small and Medium Enterprise
P2P	-	Peer to Peer
PII	-	Private Impact Investor
SEAF	-	Small Enterprise Assistance Funds
SGD	-	Singapore Dollar
THB	-	Thailand Baht
UNICEF	-	United Nations Children’s Fund
USD	-	United States Dollar
USAID	-	United States Agency for International Development
WSME	-	Women’s Small and Medium Enterprises

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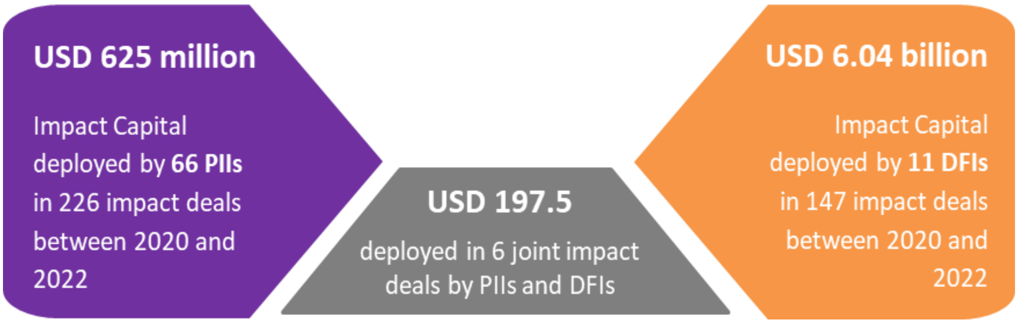
1. Executive Summary

This report provides updated analysis on trends in impact investing and gender-lens investing (GLI) in SE Asia, based on updated data on impact investment deals for 2020-22. This report also takes a broader look into the evolution of and trends in impact investing and gender lens investing (GLI) in Southeast Asia between 2007-2022, building on prior engagements commissioned by Investing in Women.

Southeast Asia is an economic powerhouse and the region is likely to be the world's fourth largest economy by 2030. However, there are significant regional variations in social development and economic prosperity across all countries that form part of Southeast Asia. Over the past 15 years, impact investing has taken deep roots across all major Southeast Asian countries and impact investors in the region have significantly enhanced their commitment to support impact entrepreneurs. In just the current three years under review (2020-2022), impact investors have invested over 67% of the cumulative capital invested in the ten-year period spanning 2007-2016. On an aggregate basis, USD 6.9 billion in impact capital was invested in enterprises in the region through 379 impact deals between 2020 and 2022. This compares favourably with USD 6.7 billion through 313 impact deals in the previous three-year period 2017-19 – demonstrating that impact investment levels have been maintained in the region, even amidst the major economic disruptions of the COVID-19 pandemic.

Figure 1: Overview of impact investing activity in Southeast Asia, 2020-2022



Cumulatively Private Impact Investors (PIIs) have deployed about 40% more capital across 40% more deals in the current three-year period as compared to the prior three-year period (2017-2019). PIIs invested USD 743.9 million in 201 impact deals across the ten-year period of 2007 - 2016, USD 433.27 million in 167 deals during 2017-2019, and USD 624.69 million in 226 deals during 2020-2022. There has also been a gradual increase in the share of PII-led equity deals over these years**.** In terms of sectors of interest, PIIs are largely investing in the financial services sector in terms of deal value, and ICT sector in terms of deal volume. These sectors have also recorded the highest number of large ticket size deals (above USD 5 million) by PIIs in the region. This mirrors the acceleration provided by COVID-19 to digital transformation in the region and promotes consumers' reliance on digital modes of commerce and service delivery. About 80% of the PII deals have tickets sizes under USD 5 million. The enhancement in PII deal activity and deal volume has been across almost all ticket size ranges indicating deepening of the impact ecosystem in the region.

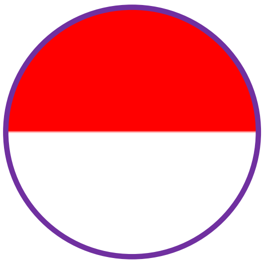
After the steady growth from 2007 to 2016, annual investment by Development Finance Institutions (DFIs) in Southeast Asia has stabilized at about USD 2 billion per year over the last six years. Between 2007 and 2016, DFIs invested USD 10.5 billion in 255 impact deals, USD 6.3 billion in 146 deals during 2017-2019, and USD 6.04 billion in 147 deals during 2020-2022. Almost 85% of the DFI deals with ticket size larger than USD 50 million were made in Indonesia, Thailand, and Vietnam. From a sectoral perspective, financial services and energy sectors combined account for over 70% of DFI capital deployed and 63% of impact deals made by DFIs in the region. Over half of the deals with ticket sizes above USD 100 million were channelled into the financial services sector. The majority of the DFI deals and capital deployment was done through debt instruments.

Overall, the Southeast Asian impact investing market is beginning to show diversity in terms of deal value and deal volumes. Indonesia continues to lead the region in terms of deal volume, in line with the findings from the two previous time periods (2007-2016 and 2017-2019). Between 2020 and 2022, Indonesia attracted almost 44% of the deals by volume and 55% of the PII capital deployed into the region. This reinforces Indonesia's reputation as the regional powerhouse for impact entrepreneurs.

However, Vietnam has replaced Indonesia as the top DFI investment destination, accounting for about 30% of all DFI deals in the region both by volume and value. Vietnam has witnessed over 60% growth in the value of investments as compared to the previous three year period to become the single largest market for impact investment in the region. From a sectoral perspective, DFIs have significantly invested in enterprises engaged in providing access to finance and energy within Vietnam.

Thailand continues to attract the largest ticket size deals in the region and is just behind Indonesia in terms of deal value with only about 15% of the deals. The country that has witnessed the most significant de-growth in terms of deal value and volume is Myanmar.

Figure 2: Snapshot of impact investing and Gender Lens Investing activity in IW focus countries, 2020-2022



INDONESIA

PIIs: USD 347.5 million in 100 deals
DFIs: USD 1.07 billion in 28 deals
Trends:

- Key sectors are financial services, energy and logistics
- Average ticket size is USD 3.9 million
- 57% DFI deals are debt investments; 77% PII deals use equity

GLI:

- Total USD 663 million through 45 GLI deals; average deal size USD 15.1 million
- 73% applied gender ownership strategy; 53% used gender products & services

THE PHILIPPINES

PIIs: USD 16.3 million in 48 deals
DFIs: USD 632.3 million in 18 deals
Trends:

- Key sectors are financial services, ICT, healthcare
- 71% deals are under USD 5 million
- 81% capital deployed through debt deals

GLI:

- Total USD 47 million through 35 GLI deals; average deal size USD 1.4 million
- Primarily through gender ownership strategy

VIETNAM

PIIs: USD 65.37 million in 22 deals
DFIs: 1.89 billion in 42 deals
Trends:

- Key sectors are energy and financial services
- 65% deals are above USD 5 million
- 68% impact deals are debt investments

GLI:

- Total USD 1 billion through 28 GLI deals; average deal size for DFI is USD 45 million; PII is USD 0.77 million
- Mostly through gender equity and ownership strategy

Gender Lens Investing has grown significantly in the region over the last six years across a multitude of parameters – volume of deals, value of deals, sophistication of investment strategy as well as investment ticket sizes. GLI activity registered a sharp growth during 2020- 2022, despite the economic impacts of COVID-19 in the region; on an aggregate basis, seven times more capital was invested with a gender lens as compared to the prior, pre-COVID, 3-year period (2017-19). It is notable that between 2007-2016, none of the DFI deals used an explicitly stated gender lens for capital deployment. In terms of geographic focus, Indonesia, Vietnam, and Philippines combined constitute about 80% of GLI deals by volume. Vietnam has received over 40% of the total GLI capital deployed in the region (approx. USD 1 billion), most of which has been disbursed by DFIs and in the financial services sector.

There has been a nine-fold increase in DFI-led GLI deals in the region during 2020-2022, compared to 2017-2019. The primary driver of this upsurge in GLI deals is the participation of DFIs such as IFC, DFC, ADB, Proparco, DEG, FMO, Finnfund in the 2X Challenge, a global initiative to mobilise additional GLI capital. Almost 70% of the DFI-led GLI deals were made in the financial services domain (microfinance, supply chain finance and neo banking).

We have witnessed growth in GLI deals over the last three years, with about 88% of investments between 2020-2022 focusing on women-owned/led businesses. Market building efforts such as the programs led by DFAT and Investing in Women have not only supported investors in deploying capital with a gender lens, but also worked with providers of technical support to build gender considerations across their processes. Such efforts have led to a growing pipeline of women-led and gender-focused businesses in the region.

The global and Southeast Asian impact investing sectors have been witnessing the emergence of different instrument categories for deploying capital for impact creation. Globally, green bond issuance, used to finance environmental and infrastructure projects, has grown at an annual rate of 43% to reach USD 578 billion in 2021.[1] The success of green bonds has led to the emergence of other sustainable fixed-income instruments, including the growing emergence of gender bonds. DFIs and corporations are the most active gender bond issuers globally. In Southeast Asia, the focus of privately placed gender bonds is to increase lending to Indonesia's women entrepreneurs and women-owned and -led SMEs[2], while "orange bonds" focus on tapping into the global bond market to advance gender equality across multiple sectors, with potential to unlock an estimated USD 10 billion in gender-lens investing by 2030.[3] There is further scope for growth of the GLI market in Southeast Asia by integrating gender elements in climate, sustainability, and other sector-focused bonds.

Private and mainstream investors are becoming increasingly interested in GLI; however significant challenges remain. For many investors, gender lens is often included from a compliance perspective and not as something integral to their investment strategy. Moreover, the incorporation of gender lens integration while providing technical assistance to women SMEs (in the form of advisory, venture building, mentorship, and/or relationship building) is still lagging. Pre-investment support for gender-inclusive and women-led businesses is crucial to improve investment readiness. Going forward, programs that build awareness and capacity of capital providers (Limited Partners, or LPs) as well as encourage technical service providers to incorporate gender sensitive programming will help deepen the pool of enterprises as well as make more capital available to PIIs. Finally, investments from DFIs have largely stabilised and to witness further growth in the impact and gender lens investing ecosystems, PIIs will need support of LPs to invest more and with a gender lens. Thus, there is a greater need for ecosystem building and deepening across all countries in the Southeast Asia region.

[1] Sizing the impact investing market, GIIN, 2022
[2] 'Issuing a first-ever gender bond to prompt inclusive growth',
[3] 'Impact Investment Exchange Closes First 'Orange Bond' at US$50m to Invest in Women in Asia and Africa', IIX, 2022

2. Introduction

Impact investing is defined by the intent to channel capital into enterprises that generate measurable positive social, economic, or environmental impact alongside financial returns. Over the last decade or so, a growing number of capital providers (limited partners; LP) have encouraged fund managers (general partners; GP) to incorporate an explicit impact lens into their investment decision making. Given the relatively recent adoption of impact investing, there is considerable variation in estimates of the global quantum of assets managed by impact fund managers. The GIIN's report on '*Sizing the Impact Investing Market 2022'* estimates the size of the worldwide impact investing market to be USD 1.164 trillion[4] while IFC estimates, in its report '*Investing for Impact: The Global Impact Investing Market 2020*', that USD 2.3 trillion were invested with an impact lens in 2020. Irrespective of these differences, it is safe to say that impact investing has now become mainstream, with the global pool of impact capital crossing the USD 1 trillion mark, and many leading LPs have an explicit allocation for impact investing.

Southeast Asia is an economic powerhouse and according to the ASEAN Development Outlook (ADO)[5] report, the total combined GDP of 10 ASEAN countries in 2019 was valued at $3.2 trillion – making ASEAN the fifth-largest economy in the world. With its 700 million population that is young, educated, increasingly online the region not only has the world's third largest workforce but also comprises a growing middle-class.

Southeast Asia is developing rapidly and the region is likely to be the world's fourth largest economy by 2030. According to a WEF report titled 'Future of Consumption in Fast-Growth Consumer Markets: ASEAN'[6], the growth of Southeast Asian countries is propelled by four "mega-forces" which include favourable demographics, rising income levels, geopolitical shifts and digital tailwinds. But the region also faces social and environmental challenges, due to substantial inequalities (both intra-country and inter-country) and climate change, which offer substantial potential for impact investments.

In 2018, Investing in Women (IW) commissioned the Global Impact Investing Network (GIIN) to carry out a regional landscaping study culminating in a comprehensive overview of *The Landscape of Impact Investing in Southeast Asia* (the "SEAL Report"). The Report was the first-ever detailed analysis of impact investing activity across Southeast Asia with specific insights on the status of gender-lens investing (GLI) in the region. The research, undertaken by Intellecap Advisory Services (Intellecap), highlighted that between 2007 and 2016, close to USD 11.2 billion was deployed through over 449 impact investment deals.[7] However, it was seen that more than 92% of the capital was deployed by Development Finance Institutions (DFIs) and that Private Impact Investor (PII) investments had grown only in the latter part of the decade. The report pointed out that even though some investors apply a gender lens to their impact investments, the broader concept of GLI remained limited.

Building on the SEAL report, IW commissioned Intellecap to provide an update on impact investing and GLI trends during the time period 2017-2019. *The Advance of Impact Investing in Southeast Asia – 2020 Update* found significant acceleration in the quantum of impact capital deployed during the 3-year period – USD 6.7 billion through 298 deals[8] – amounting to more than half of that invested in the 10 years prior. This amount was later updated to USD 6.7 billion in 313 impact deals based on additional deals in 2019 identified through the current report.[9] Impact capital deployed with a gender lens also registered a sharp increase in these 3 years. As compared to 33 GLI deals in the 10 years from 2007-2016 deploying a paltry USD 43.3 million, investors supported entrepreneurs through 39 GLI deals deploying USD 350 million between 2017-2019. Nonetheless, the

[4] 'GIINsight: Sizing the Impact Investing Market 2022', Global Impact Investing Network, October 2022
[5] 'ASEAN Development Outlook', ASEAN, August 2021
[6] 'Future of Consumption in Fast-Growth Consumer Markets: ASEAN', World Economic Forum, June 2020
[7] 'The Landscape for Impact Investing in Southeast Asia', GIIN, August 2018
[8] 'The Advance of Impact Investing in Southeast Asia: 2020 Update', Investing in Women, 2020
[9] Please refer to Annexure for more details on additional deals identified for 2019

GLI ecosystem (entrepreneurs, investors, capacity development organizations etc.) was nascent and the update highlighted a need for additional support to scale up GLI in the region.

The current study, *Impact Investing in South East Asia - 2020-22*, builds further on the previous two reports by updating information on impact investing deals and GLI during the period 2020-2022. This report also aims to look back at the evolution of impact investing and GLI in Southeast Asia since 2007 and provide an analysis of the same.

2.1. Definitions

The report only includes impact and gender lens investments that meet the following widely accepted definitions. The research team used these definitions, as used in prior reports, to identify impact and gender lens investors in the region and map deal activity to disaggregate investments for further analysis.

- **IMPACT INVESTING**

  Impact investments are defined as "investments made into companies, organizations, and funds with the intention to generate positive, measurable social and environmental impact alongside a financial return."[10] The practice of impact investing is further defined by the following elements[11] –

  - Intentionality: Impact investments intentionally contribute to social and environmental solutions. This differentiates them from other strategies such as ESG investing, Responsible Investing, and screening strategies.
  - Financial returns: Impact investments seek a financial return on capital that can range from below market rate to risk-adjusted market rate or, at minimum, a return of capital. This distinguishes them from philanthropy.
  - Range of asset classes: Impact investments can be made across asset classes, including but not limited to cash equivalents, fixed income, venture capital, and private equity.
  - Impact measurement: A hallmark of impact investing is the commitment of the investor to measure and report the social and environmental performance and progress of underlying investments, ensuring transparency and accountability while informing the practice of impact investing and building the field.

- **GENDER LENS INVESTING**

  GLI is an "impact investment strategy or approach to investing that takes into consideration gender-based factors into investment analysis to advance gender equality and better inform investment decision-making."[12] GIIN defines GLI within two broad categories as outlined below:

  Investing with the intent to address gender issues or promote gender equity, including by:

  - Investing in women-owned or -led enterprises
  - Investing in enterprises that promote workplace equity (in staffing, management, boardroom representation, and along their supply chains); or
  - Investing in enterprises that offer products or services that substantially improve the lives of women and girls

  And/ or investing with the following approaches to inform investment decisions:

  - a process that focuses on gender, from pre-investment activities (e.g., sourcing and due diligence) to post-deal monitoring (e.g., strategic advisory and exiting); or
  - a strategy that examines, with respect to the investee enterprises:

[10] The Global Impact Investing Network, http://www.thegiin.org/
[11] Elements of impact investing as defined by GIIN
[12] The Global Impact Investing Network's Gender Lens Investing Initiative, https://thegiin.org/gender-lens-investing-initiative/

- ✓ Their vision or mission to address gender issues
- ✓ Their organizational structure, culture, internal policies, and workplace environment;
- ✓ Their use of data and metrics for the gender-equitable management of performance and to incentivize behavioural change and accountability; and
- ✓ How their financial and human resources signify overall commitment to gender equality.

- **INVESTORS**

  The analysis in this report is separated into two broad investor categories – Private Impact Investors (PIIs) and Development Finance Institutions (DFIs).

  - **Private Impact Investors (PIIs)** encompass a range of investor types, including fund managers, family offices, foundations, banks, pension funds and others that channel private capital into impact investments.
  - **Development Finance Institutions (DFIs)** are government-backed financial institutions that provide finance to the private sector for investments promoting development. DFIs are important actors in the impact investing landscape, providing large amounts of capital both through direct impact investments and through indirect investments, such as impact investment funds. Because of the large size and unique characteristics of DFIs, this report analyses DFI activity separately from the activity of private impact investors. *Indirect investments by DFIs are excluded to avoid double counting. Also, for the purposes of this report bilateral or multilateral assistance provided directly to governments is not considered as impact investment.*

2.2. Report scope

This report is based on a deal database update of impact investing and GLI activity across 11 countries in Southeast Asia: Brunei, Cambodia, East Timor, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. It analyses the trends in impact investing and GLI with a specific focus on three countries: Indonesia, Vietnam and the Philippines.

In this update of the report, Intellecap has mapped the impact investing and GLI deals in Southeast Asia for the period 2020 to 2022. The current report leverages this updated deal database to derive insights into the evolution of impact investing and GLI over 2020-2022, as compared to the previous three years (2017-2019) and also the 10 years prior (2007 – 2016). Moreover, the report dives into the overall evolution of impact investing and gender lens investing in the region since 2007 and strives to provide an insight into the potential reasons, challenges and opportunities for the same.

Findings are based on an aggregate analysis of the 379 impact deals concluded between 2020 and 2022, as well as primary interactions with ecosystem intermediaries in the three IW focus countries, and regional investors. The research methodology adopted for deal data collection has been similar to that used for the previous 2017-2019 as well as the SEAL study. Only investments carried out by investors who explicitly identified themselves as impact investors have been included; so any capital raised by impact enterprises from non-impact investors are not part of the deal database and the subsequent analysis. Similarly, deals classified as GLI are based on the investor's expressed intent to invest with a gender focus as per information available in the public domain or feedback from the investor. Lastly, only direct capital deployment into enterprises or projects have been considered for the purpose of this report; commitments by limited partners or DFIs into impact funds have been excluded since part of these flows may not yet have been deployed into impact enterprises.

We would also like to highlight that we have identified 13 additional deals for 2019 (5 DFI deals and 8 PII deals) and integrated them into the 2017-2019 deal database for the purpose of analysis and comparison with the 2020-2022 deal trends. Since the previous report was undertaken in early 2020, not all impact deals for 2019 would have been reported in the public domain.[13] By value this represents an additional 2% of investment capital over the previous estimate.

We have also gathered insights of certain key regional stakeholders on impact investing and GLI while drafting the report, which are used to validate insights from database analysis. Findings from ongoing research by IW partners have also been referenced to add more nuanced insights into the regional investment activity. Finally, we have compared the investment activity from Southeast Asia to the global impact investing activity to draw parallels and identify any emerging opportunities for the market.

Our research relied on publicly available information to identify impact and GLI deals for the period under consideration. The process adopted entails one or more of the following limitations:

- Some deals may have been reported after a significant delay post the actual investment
- Among the deals reported in the public domain, certain quantitative (amount of capital invested, equity stake diluted, etc.) and qualitative data (type of capital invested, terms of investment, etc.) may not be available publicly during deal announcement
- Some deals are not reported in the public domain at all, and hence may not be part of the database.

2.3. Methodology

• Data Collection

The research team relied on quantitative and qualitative data primarily from secondary sources and select stakeholder interviews to map the impact investing activity in the region.

Desk research was conducted to identify existing impact and GLI deals in Southeast Asia from 2020 to 2022. The deal information was collated from multiple sources such as the official websites of the PIIs and DFIs, deal aggregation platforms (like AVCJ, Pitchbook and Crunchbase), as well as press releases and news articles announcing deal activity. In addition, deal information was collected directly from IW-supported gender lens investors. The team also gathered data on the gender lens strategy deployed for individual deals from investee websites and other secondary sources. The research team also evaluated secondary sources on impact investing in Southeast Asia and on gender lens investing strategies deployed in the region.

In addition, the team conducted **primary interviews** with ecosystem stakeholders, including local/ regional impact investors in, mainstream investors, and support providers like incubators/accelerators.

• Analysis

The Research Team used several analytic methods to generate findings to be presented for this report.

Desk research: The various resources assembled during desk research were synthesized at the level of the three focus countries and the region as a whole to identify drivers of investment activity, uncover gaps between the supply and demand sides of the market, and bolster primary research.

Deals database: The research team analysed transaction-level data at both the country and regional levels, segmented further by investment characteristics when sample sizes were large enough to offer meaningful insights without compromising participants' anonymity. Analysis of the database was also segmented between PIIs and DFIs, given the significant differences in their structures, mandates, and investment approaches. The analysis included:

- mean and median deal sizes, and total investment activity;
- presence and influence of any outliers that could disproportionately skew findings; and
- capital deployed and number of deals by PIIs and DFIs, segmented by various factors – including sectors, investment instruments, use of gender lens.

[13] Refer to the Annexure for details on additional 2019 deals, in addition to those reported in the 2017-2019 database

Interviews: The research team maintained detailed notes for each interview, which were evaluated to uncover findings for either data corroboration or divergence. Some specific themes discussed in the interviews included:

- perception of opportunities for impact investors and other actors in the regional impact investing ecosystem;
- perceptions of key challenges facing impact investors in the region;
- perceptions of key challenges facing impact enterprises in the region;
- perspectives on drivers of growth;
- awareness and use of various GLI strategies; and
- perspectives on the role of ecosystem stakeholders and market builders in developing the GLI space.

Throughout the report, the research team incorporated insights from primary interviews to complement and validate findings from the desk research.

3. Impact investment activity in the region

3.1. Overview of Impact Investing activity

Over the last 15 years, impact investing has grown significantly in Southeast Asia – investors have invested over 67% of the capital invested in the first 10 years of analysis in just the current three years under review. Compared to just USD 11.3 billion of impact capital deployed in the region between 2007 and 2016 through 449 deals, USD 6.9 billion has been deployed through 379 deals from 2020 to 2022.

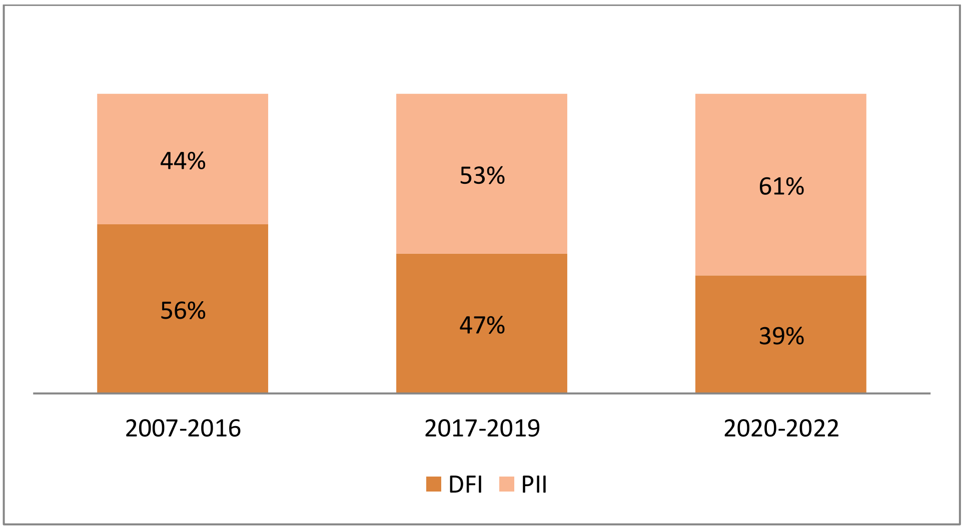
Table 1: Impact investing deals and capital deployed,2007 - 2022

	Capital deployed (in USD billion)					Number of deals				
	'07-16	'17-19	2020	2021	2022	'07-16	'17-19	2020	2021	2022
DFIs	10.5	6.3	1.86	2	2.18	255	146	54	55	38
PIIs	0.7	0.43	0.19	0.22	0.22	197	167	65	86	75
Total *(includes co-investments from DFI and PII)*	11.3	6.7	2.05	2.25	2.56	449	313	119	144	116

Note: Between 2007 and 2016, 22 deals had co-investment from both DFIs and PIIs; for 2017-2019, DFI and PII co-invested in 2 impact deals; and 3 deals each in 2021 and 2022 respectively had co-investment from DFIs and PIIs.

While the total value of investments by DFIs is much higher than PII investments, the number of PII deals in the last three years is higher than the number of DFI deals. The share of impact deals by PIIs has also increased over the years; with PIIs accounting for 44% of all the impact deals in 2007-2016, 53% of all impact deals in 2017-2019 and up to 61% in 2020-2022.

Figure 3: Volume of deals by PIIs vs DFIs, 2007-2022



From a deal value perspective the COVID-19 pandemic initially arrested the growth trend of impact investing in Southeast Asia, as the amount of impact capital invested dropped by about 18% in 2020 compared to 2019. However, with the easing of COVID-19 restrictions, investing activity has recovered and the investment quantum in 2022 is back at the highs last seen in 2018. Surprisingly, deal volumes in each of the years in 2020-2022 remained higher than the peak deal volume of the preceding three year period (115 deals in 2017).

Table 2: Overview of impact investing activity in Southeast Asia, 2020-2022

	Capital deployed (in USD billion)			Number of deals		
	2020	2021	2022	2020	2021	2022
DFIs	1.86	2	2.18	54	55	38
PIIs	0.19	0.22	0.22	65	86	75
Total	2.05	2.22	2.40	119	141	113

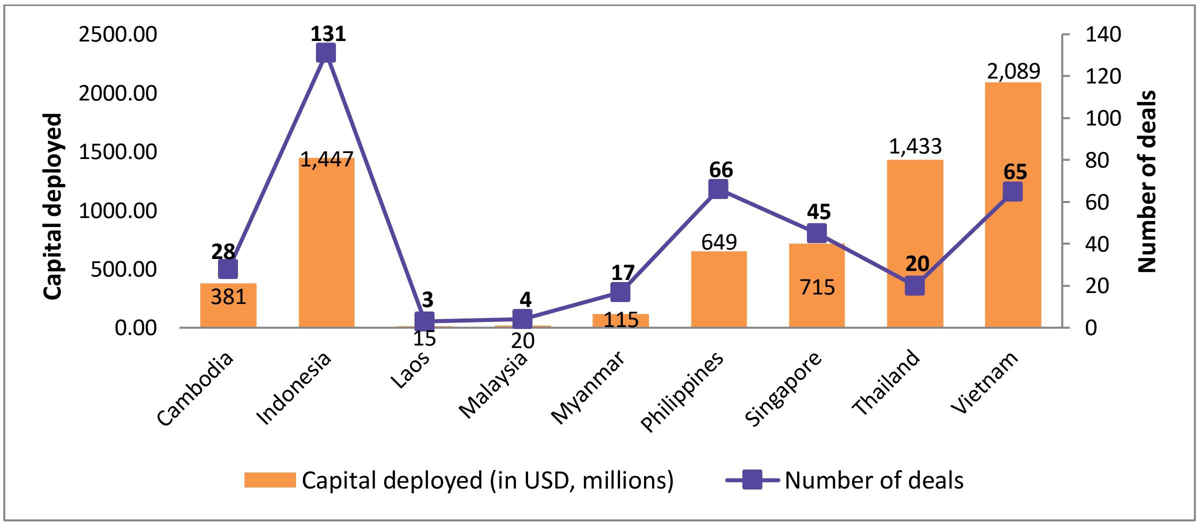
Note: Between 2007 and 2016, 22 deals had co-investment from both DFIs and PIIs. In 2017-19, DFI and PII co-invested in 2 impact deals. In 2020-22, DFI and PII co-invested in 6 deals.

As compared to the previous three year period, the number of DFI deals remained largely unchanged while PII deals went up by over 40%. The trends provided greater credence to the mainstreaming of impact investing as evidenced by three significant findings:

- Impact investors, including both DFIs and private investors, have also catalysed a further ~USD 4.3 billion through co-investment by non-impact investors
- The co-investment by non-impact investors has grown from 10% of impact capital in 2017-19 timeframe to 60% in 2020-22
- PIIs also have been able to catalyse 3x of their invested capital, an additional USD 1.8 billion, through co-investments by mainstream investors.

Vietnam received the most interest in terms of the value of impact deals in the region (USD 2.09 billion) while Indonesia remained on the top in terms of volume of impact deals (131). In terms of capital deployed, Vietnam was followed by Indonesia Thailand, Singapore and the Philippines.

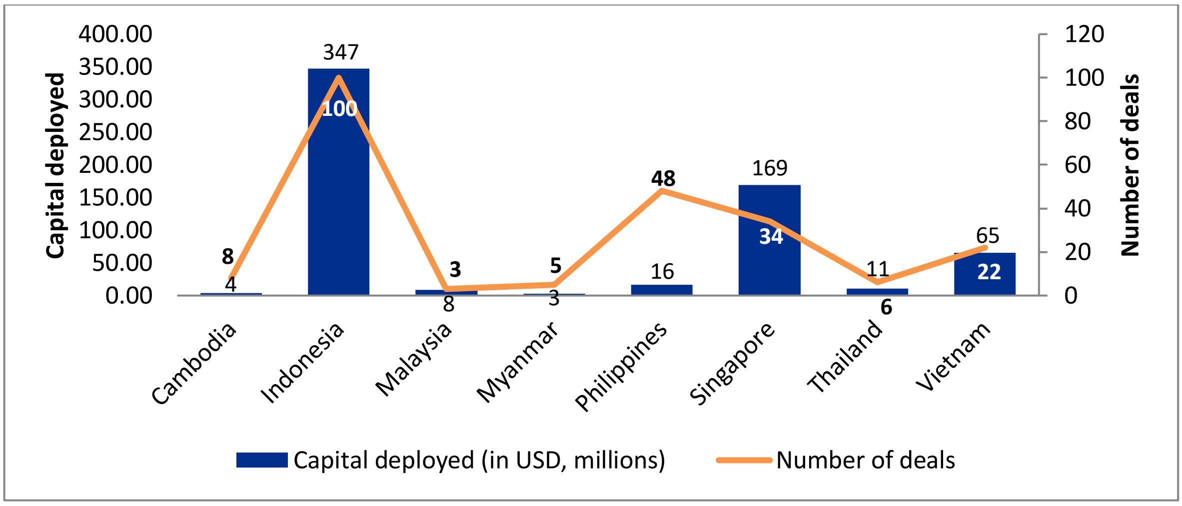
Figure 4: Regional impact investing activity by country, 2020-2022



The impact investing market is beginning to show diversity in terms of deal value and deal volumes. Indonesia, with an over 50% growth in the number of deals, continues to lead the region in terms of deal volume. However, Vietnam witnessed an over 60% growth in value of investment as compared to the previous three year period to become the single largest market for impact investment in the region. Thailand continues to attract the largest ticket size deals in the region and is just behind Indonesia in terms deal value with only about 15% of the deals. The country that has witnessed the most significant de-growth in terms of deal value and volume is Myanmar.

Since 2020, PIIs have invested USD 625 million in 226 impact deals, while DFIs have invested over USD 6 billion through 147 deals in the region. The 6 deals that received investments from both DFIs and PIIs had a deal value of about USD 200 million. The amount of impact capital invested however varies widely by country.

Figure 5: PII activity by country 2020-2022, USD 625 million in 226 deals

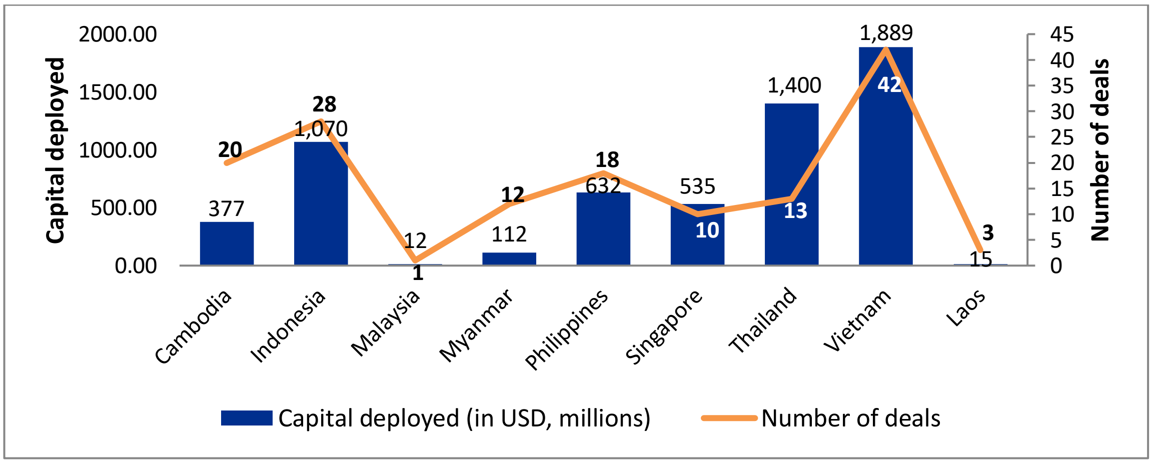


Note: 2 deals for 2022 (one each for Indonesia and Philippines) have been left out of the overall analysis as the investments took place through Ethereum (cryptocurrency) by the UNICEF Venture Fund.

Indonesia continues to attract the most amount of impact capital from PIIs. Indonesia accounts for about 45% of total PII deals in the region by volume and over 55% by value. Apart from Indonesia, Singapore received over 25% of PII investments by value (and 15% of deals) while Vietnam attracted 10% of both deal value and volume. The Philippines is an interesting outlier that attracted over 20% of deals by volume but only 3% by value. Laos is the only country that did not witness a single PII deal.

At USD 2.7 million the average ticket size for PII investment has largely remained unchanged in 2020-2022 as compared to 2017-2019.

Figure 6: DFI activity by country 2020-2022, USD 6 billion in 146 deals



While Indonesia continued to attract the most amount of impact capital from PIIs, a significant shift was observed in DFI focus. Vietnam accounts for about 30% of total DFI deals in the region both by volume and value. In the case of Indonesia and Philippines also, the deal volume and value were closely correlated – with Indonesia receiving about 19% and Philippines receiving about 11%. Thailand is an interesting outlier attracting about 23% of deal value from only 9% of deals by volume.

3.2. Development finance institutions

A total of 11 development finance institutions have deployed impact capital in the region. These DFIs have invested USD 6.04 billion through 147 deals in Southeast Asia. International Finance Corporation (IFC) invested around USD 3.5 billion over 54 deals, while Asian Development Bank (ADB) invested close to USD 1.13 billion across 20 deals. Together, they represent more than 75% of the total impact capital deployed, and account for over half of all impact deals undertaken by DFIs in the region. This represents a diversification in DFI activity over the previous three year period, in which IFC and ADB together accounted for over 90% of the capital and 60% of the impact deals. The US DFC is the primary contributor to this diversification and which accounts for ~11% of the DFI capital deployed in the region. Ticket sizes of DFC investment (~USD 44.5 million) are lower than IFC and ADB that have an average deal size of USD 65.1 million and USD 59.3 million respectively.

3.2.1 DFI investment activity

Annual DFI investment in Southeast Asia has stabilized at about USD 2 billion over the last 5 years. From a deal volume perspective also the region witnessed about 45 – 55 deals annually from 2017 onwards, except in 2022 during which the number of deals dropped to 38 accompanied by larger deal sizes. Between 2020 and 2022, Vietnam accounted for 29% (42) of all DFI deals and 31% (USD 1.9 billion) of DFI capital deployed into the region. In contrast, between 2017 and 2019, more than 30% of the capital deployed by DFIs was invested in Indonesia.

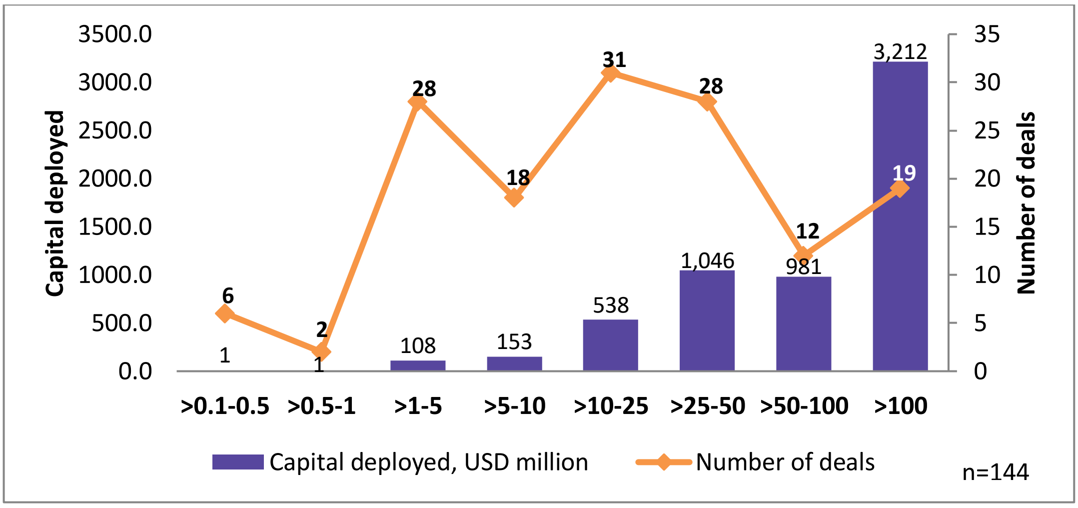
Almost 85% of the deals with a ticket size larger than USD 50 million were made in Indonesia, Thailand and Vietnam. Other countries that received significant DFI investment include Thailand, the Philippines and Cambodia. More than 90% of the investment in Cambodia was in the Financial Services sector. Over 75% of the regional investments in ICT and Healthcare sectors were invested in enterprises based in the Philippines. Thailand received investments across multiple sectors (no sector received more than 50% investment share) with an average ticket size that is over 2.5 times the regional average.

Interestingly, 11 out of the 12 investments in Myanmar were in 2020 and the country received no DFI investment in 2022.

3.2.2 DFI deal sizes

The average deal value remains consistent with the last reporting period (2017-2019) when it was USD 44.2 million. Analysis for 2020-2022 also reveals that the average ticket size for DFI investments is USD 41.9 million and the median deal size is USD 20 million. Overall, the deviation between average and median deal values has reduced – for the period 2017-2019 the average was USD 44.2 million and median was USD 15 million – indicating that the skew towards very large deals has reduced.

Figure 7: Impact capital deployed by DFIs by ticket size, 2020-2022



Note: Deals sizes not disclosed for the remaining 3 DFI deals

Having said that, the reality is that there is a clear correlation between amount of capital deployed and ticket size of investment – larger ticket size deals account for the majority of DFI investment**.** For instance, though the highest number of deals are between USD 10 million and USD 50 million (>40% of the deals), this ticket size range accounts for only a quarter of the capital deployed by DFIs. On the other hand, the 19 deals over USD 100 million in size constitute over half of the capital injected by DFIs into the region.

3.2.3 Sectors of investment by DFIs

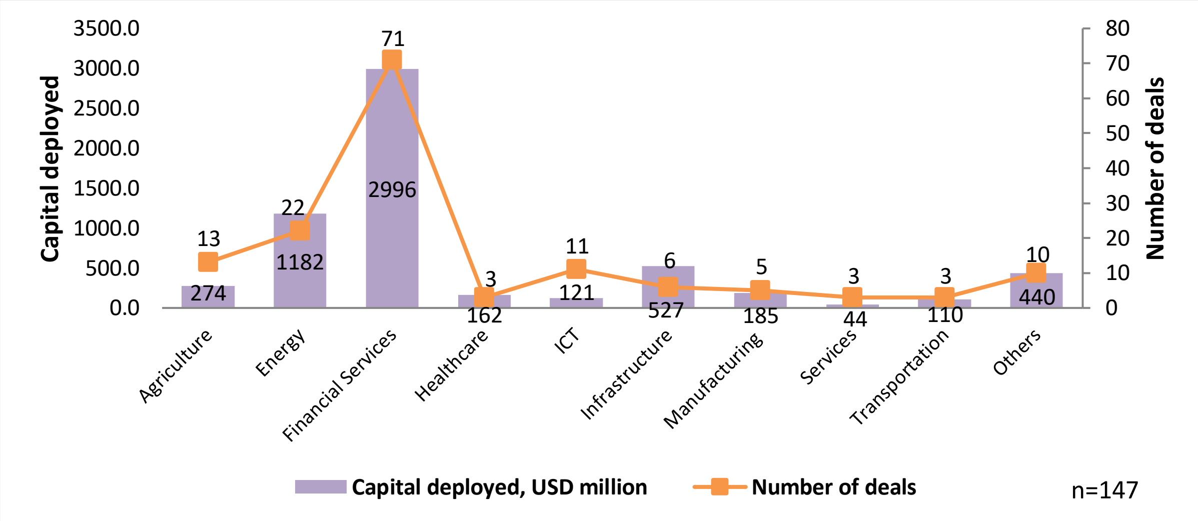
From a sectoral perspective, financial services and energy sectors combined account for over 70% of DFI capital deployed and 63% of impact deals made by DFIs in the region. Over half of the deals with ticket size over USD 100 million were channelled into the financial services sector, with few deals in the energy, infrastructure and travel & tourism sectors. Surprisingly, despite the COVID-19 pandemic, healthcare sector received lower DFI investment as well as witnessed lower deal activity compared to the prior three year period. A possible explanation for this may be that the majority of the expenditure on handling the COVID-19 crisis was incurred by governments.

From a sectoral perspective, IFC and DFC are strongly engaged on Financial Services while ADB has made the majority of its investment in energy. This is reflective in the investments received by Vietnam (the country that replaced Indonesia as the top DFI investment destination) – over 65% of the investment received by Vietnam was in the Financial Services sector (led by IFC and DFC) and about 20% is in energy (primarily by ADB).

Similarly about 38% of all DFI deals over USD 50 million have been in the financial services sector, with others spread across energy, infrastructure, healthcare and other sectors. This is similar to the DFI impact investment trend between 2017-2019 and 2007-2016, when majority of large ticket size deals (over USD 50 million) were in the energy and financial services sectors, with some investment flowing into ICT and infrastructure as well.

DFIs deployed USD 3 billion through 71 deals in the financial services sector, with an average ticket size of roughly USD 42.2 million. Most of the capital deployed in financial services sector has been in Vietnam, Indonesia, and Cambodia. Within financial services, MSME finance, housing finance, insurance, green financing and financial wellness platforms received significant traction. In comparison, between 2017 and 2019, around 45% of the DFI deals in financial services were made in the smaller economies of Myanmar and Cambodia and were focused heavily on microfinance, MSME financing, and other commercial banking segments.

Figure 8: Impact capital deployed by DFIs by sector, 2020-2022



Note: Others include water & sanitation, logistics, travel & tourism businesses.

The energy sector attracted USD 1.2 billion deployed through 22 deals, with an average deal size of USD 53.7 million (significantly higher than that for financial services sector). Around 54% of the deals were made in Thailand and Vietnam. About 67% of the investment went into solar energy while only about 2% capital was invested in areas such as waste to energy and energy efficiency.

The ICT sector saw 11 deals, but with the lowest average ticket size across sector of about USD 11 million, in comparison to 2017-2019 when the sector registered only 2 deals but witnessed the highest average ticket size across sectors of USD 262 million.

3.2.4 Trends in GLI

From the perspective of DFI capital deployed with a gender lens, DFIs have invested USD 2.4 billion across 53 deals with an explicit gender lens. In comparison, over the last reporting period 2017-2019, DFIs invested in 5 enterprises with an explicit gender lens while no DFI capital was deployed with a gender lens between 2007 and 2016. **The primary driver of this upsurge in GLI deals by DFIs from 2020-22 is the participation of DFIs such as** IFC, DFC, ADB, Proparco, DEG, FMO, Finnfund in the 2X Challenge, an initiative launched by the G7 in 2018 to mobilise additional GLI capital .

Table 3: Comparison of GLI activity by DFIs in the region

	Number of deals	Capital deployed *(USD million)*	GLI strategies for deals		
			Gender ownership	Gender products & services	Gender equity
2017-2019	6	345	3	2	1
2020-2022	53	2,425.5	13	34	27
2020	17	734.3	3	11	8
2021	27	909	10	16	16
2022	9	782.3	-	7	3

Note: Most deals are seen to utilize more than one GLI strategy simultaneously, either intentionally or unintentionally

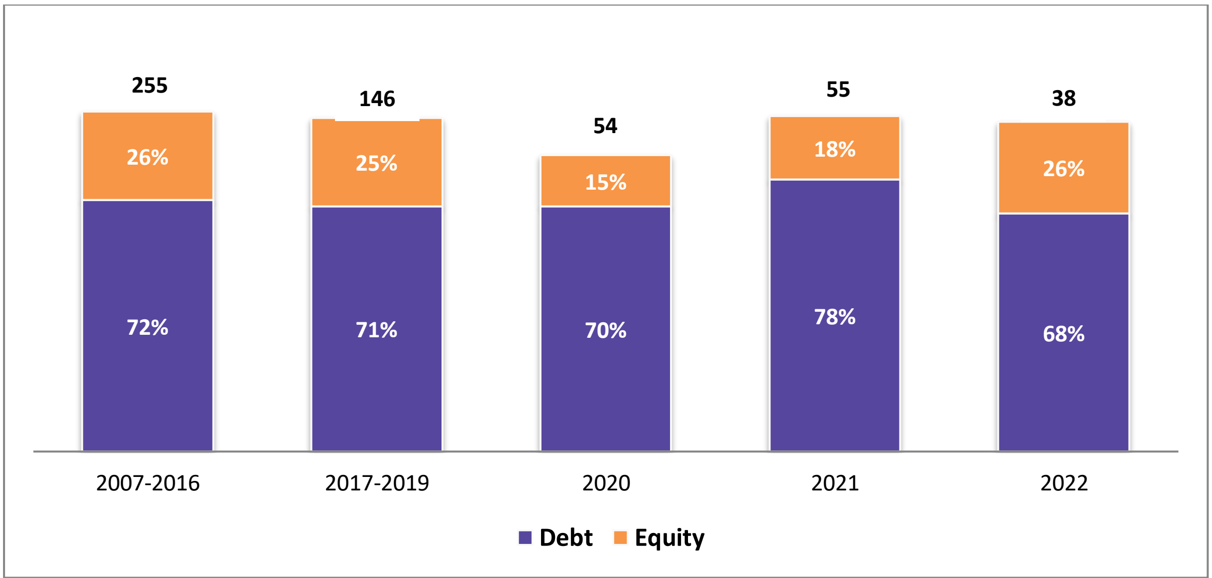
Within GLI, DFIs focused on investing in either enterprises offering gender focused products / services or businesses with the potential of building gender equity across their value chains. In line with this, almost 70% of the GLI deals were made in the financial services domain (microfinance, supply chain finance and neo banking), and another 15% in energy and agriculture sectors. While during 2017-2019 it was noted that DFIs were gender-sensitive and not gender explicit in their investments, data from 2020-2022 indicates that institutions such as ADB have a keen focus on significant gender mainstreaming across project value chains.

3.2.5 Instruments used for investing

During 2020-2022, 73% of the DFI deals and 88% of the capital was deployed as debt. Equity investments seem to have picked up in 2022, but the overall investment trend in terms of investment instrument used has remained constant over the years, with majority of the capital deployment being done as debt.

The preference towards debt investments could be because a large part of DFI investments flow into on-lending institutions such as banks or MFIs, large scale energy projects, and traditional infrastructure projects where structured debt is better suited from a risk-return profile perspective. During 2020-2022, most of the debt deals by value (58%) were in Vietnam and Thailand, followed by Indonesia and Singapore.

Figure 9: Impact deals by DFIs, by investment instrument



Note: During 2007-2016, 15 DFI deals used a combination of debt & equity for investment; in 2017-2019 5 deals used guarantees and green bonds for investing and investment instrument was not disclosed for 1 deal; whereas in 2020-2022 investment instrument was not disclosed for 12 DFI deals.

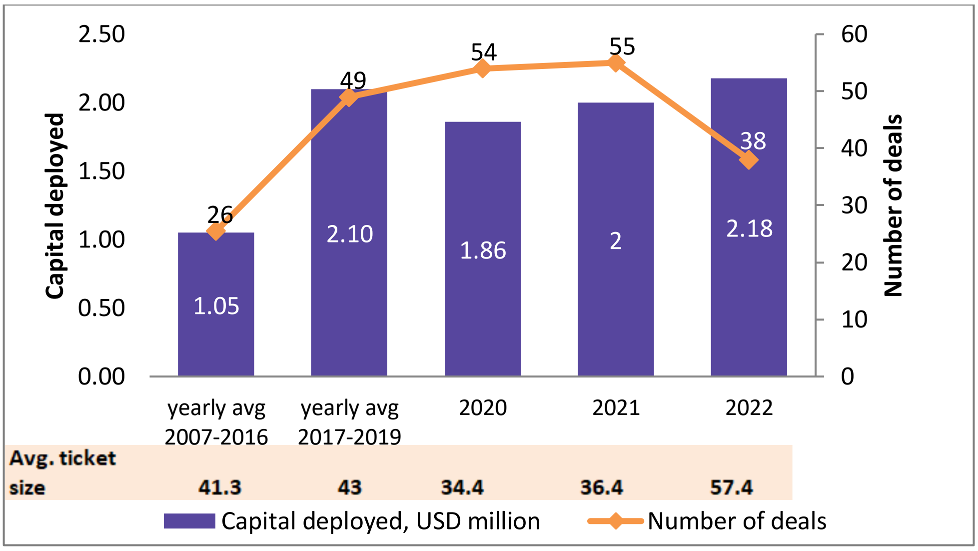
On the other hand, DFIs have used equity mostly for deals in the ICT (digitizing value chains), financial services (fintechs), energy (renewable technologies), agriculture (fisheries etc.) and services sectors, in terms of deal volume. The ICT and energy sectors accounted for most equity capital deployed (56%, USD 225.7 million) by DFIs.[14]

3.2.6 Evolution of DFI investments in the region since 2007

After the steady growth from 2007 to 2018, annual DFI investment in Southeast Asia has stabilized at about USD 2 billion over the last 5 years. Between 2007 and 2016, DFIs invested USD 10.5 billion in 255 impact deals, USD 6.3 billion in 146 deals in 2017-2019, and USD 6.04 billion in 147 deals in 2020-2022.

[14] For 12 DFI deals, the investment instrument was not disclosed in the public domain.

Figure 10: Impact capital deployed by DFIs by year



<u>Sectoral focus – Financial services and energy dominate</u>

During 2007-2016, financial services was the top most sector of investment for DFI accounting for over 45% of the deals. Majority of the financial services investments went into microfinance and SME finance institutions.

For the period 2017-2019, energy sector accounted for most capital deployment while financial services comprised the highest number of deals by DFIs. Most of the investments in the energy sector focused on non-solar renewable energy, while most capital was disbursed to enterprises based in Thailand and Indonesia. In financial services, most deals were into MSME financing and commercial banking segments.

For 2020-2022 financial services was again the most preferred sector of investment by DFIs in terms of both value and volume of deals, followed by (by deal value) energy and infrastructure sectors. Within the financial services sector significant investment was channeled to institutions providing MSME and housing finance, insurance, green financing, etc. reflecting the broadening nature of demand for financial services.

<u>Target countries for capital deployment – DFIs are focusing on countries other than Indonesia</u>

Between 2007 and 2016, Indonesia saw the most DFI deals both by value and volume, accounting for over 35% of the capital deployed by DFIs during the time period.

During 2017-2019, Indonesia accounted for around 28% of the total deals in the region by volume and 31% by value. Indonesia and Vietnam reported the same number of deals (25) by DFIs, while Myanmar reported the highest number of DFI deals (31) by volume.

For the current period from 2020-2022, there has been a sudden shift by DFIs towards Vietnam which recorded highest deals by value (USD 1.9 billion) and volume (42), followed by Thailand in terms of deal value (USD 1.4 billion) and Indonesia in deal volume (28).

<u>Ticket sizes of the impact investments – On average, USD 40 million is the sweet spot</u>

During 2007-2016, the average ticket size for DFI deals has been in the range of USD 32 million – 58 million. Around 90% of the deals above USD 100 million have been in the financial services or energy sector, and deals below USD 100 million see representation across diverse sectors including ICT, manufacturing, agriculture, and water and sanitation.

Between 2017-2019, the average ticket size for DFI-led impact deals was USD 43 million and the median was around 15 million. Over half of the very large ticket size deals are in the energy and financial services, similar to the prior 10 year period.

From 2020-2022, USD 41.9 million is the average ticket size for DFI investments. In line with the investment trends from the last 2 reporting periods, most of the large ticket size deals happened in the financial services sector, while others were scattered across healthcare, energy, infrastructure, etc.

Investment instruments used – Debt is consistently the instrument of choice

Between 2007-2016 75% of the DFI deals were through debt allocation in 2007-2016, for 2017-2019 debt was used for 70% of the DFI deals, while in 2020-2022 73% of the impact deals by DFIs used debt investment.

The allocation of debt vs. equity remains consistent throughout the time period, which in part indicates the primary focus of DFIs on traditional industries and business sectors where debt is more suited as a financing instrument.

Gender lens investing in DFI investments – An explicit gender lens has finally emerged

Between 2007-2016, none of the DFI deals used an explicitly stated gender lens for capital deployment. However, many of the deals into MFIs, piped water supply, agriculture loans, among others had an indirect impact on women as customers, suppliers and other value chain stakeholders.

During 2017-2019, DFIs invested in 6 deals with a stated gender lens. 5 of these deals were in the financial services sectors and used debt as the investment instrument. Only 1 GLI deal used equity as the investment instrument and was in the agriculture sector (marketing and trading). During this time, DFIs only used one GLI strategy at a time – 50% in women-owned/led businesses, 33% in businesses offering gender products/services, and 17% in businesses focused on gender equity across the value chain.

Between 2020-2022, DFIs investment in 53 deals with an explicit gender lens. 70% of these deals were in the financial services sector and overwhelmingly used debt instruments, similar to the previous reporting period. 15% of the deals were in the energy and agriculture sectors and also used debt instruments. Around 64% of the DFI-led GLI deals used gender focused products and services as an investment strategy. However, it is indicated that DFIs have been using more than one GLI strategy for several deals.

3.3. Private impact investors

Indonesia accounts for over 55% of the capital deployed by value with Singapore being the next most active market attracting over 25% of PII investment. Over half of PII deals have been done by single impact investors, with only 3% deals receiving co-investments from multiple impact investors. Around 45% of the deals received co-investment from non-impact focused regional as well as global investors. PIIs have been able to catalyse 3x of their invested capital, an additional USD 1.8 billion, through co-investments by mainstream investors.

3.3.1 PII investment activity

Between 2020 and 2022 PIIs have closed over 40% more deals as well as deployed over 40% greater impact capital as compared to the previous three year period. Annual capital invested remained remarkably consistent around USD 200 million in each of the three years, while the highest number of deals (86) was reported in 2021.

Table 4: PII investment activity across countries

PII	Number of investors	Number of investments	Capital invested (in USD, million)	Maximum investment	Minimum investment	Average investment	Standard deviation	
Myanmar	4	5	2.9	1.5	0.400	0.97	0.55	
Philippines	19	48	16.3	2.0	0.008	0.37	0.56	Low SD
Cambodia	5	8	4.0	3.7	0.003	1.00	1.81	
Thailand	4	6	11.1	7.5	0.250	1.84	2.88	
Malaysia	2	3	8.4	7.3	0.550	2.78	3.87	
Vietnam	13	22	65.4	12.5	0.035	3.44	4.67	
Indonesia	41	100	347.5	36.0	0.010	3.90	6.04	High SD
Singapore	24	34	169.2	30.0	0.037	5.84	7.22	
All countries		**226**	**624.69**	**36**	**0.0025**	**3.17**	**5.44**	

66 PIIs invested in 226 impact deals between 2020 and 2022 across 8 countries in Southeast Asia. The low standard deviation in the quantum of investment indicates that Myanmar, Philippines, Cambodia and Thailand primarily saw a number of low ticket size deals (about 68% of deals are lower than USD 1 million. Interestingly, Indonesia and Singapore registered a very good spread of investments across ticket sizes. For example in Indonesia, 55 investments were with a ticket size greater than USD 1 million while there were 17 deals with a ticket size of <USD 0.1 million . This probably indicates a deepening of the PII pool to support impact entrepreneurs in these countries. On the other hand, variation between maximum and minimum deal sizes has reduced in Philippines where 85% of the deals received ticket size below USD 1 million.

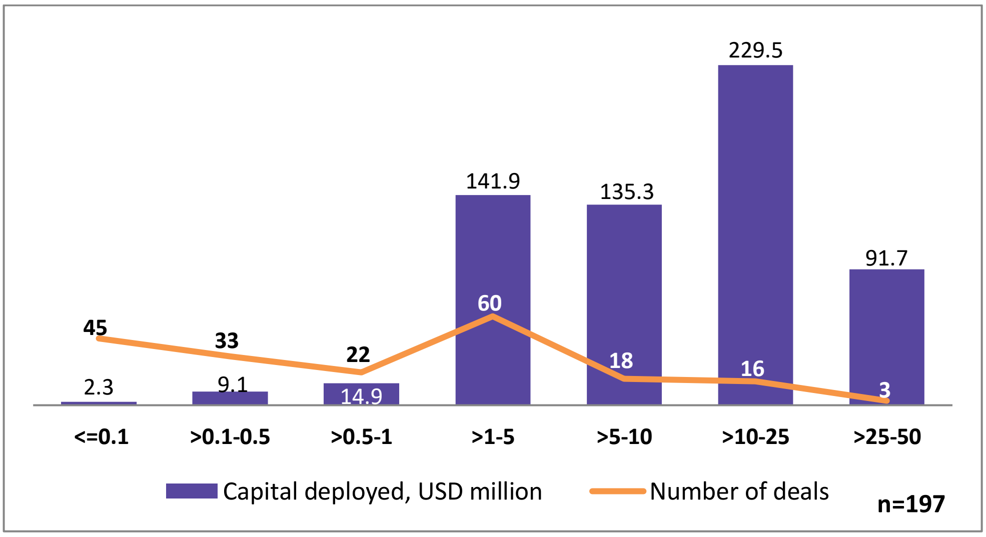
Indonesia has remained the leading country for PII investments in the region, in line with the findings from the two previous time periods (2007-2016 and 2017-2019). Between 2020 and 2022, Indonesia attracted almost 44% of the deals by volume and 55% of the PII capital deployed into the region. Indonesia's share has substantially gone up as compared to the previous three years (2017-2019) when the country comprised of 38% of deals by volume and 32% by value; and the prior 10 years (2007-2016) when Indonesia accounted for 23% of the deals by volume and 16% of the PII capital deployed. This reinforces Indonesia's reputation as the regional powerhouse for impact entrepreneurs.

Singapore attracted the second highest amount of PII capital in the region, while Philippines attracted the second highest number of PII deals. Over 78% of the deals with ticket size more than USD 10 million were made in Indonesia and Singapore (as compared to the previous three years when most large size deals were closed in Indonesia and Philippines).

3.3.2 PII deal sizes

Over half the PII deals have ticket size under USD 1 million, and about 80% have tickets sizes under USD 5 million. Majority of the investments in the USD 1 million – 5 million ticket size range have gone to businesses raising pre-Series A and Series A rounds from existing impact investors, along with some businesses raising fairly large seed rounds. Consequently, over 83% of the capital disbursement in this ticket size range has been done through equity investing.

Figure 11: Impact capital deployed by PIIs by deal size, 2020-2022



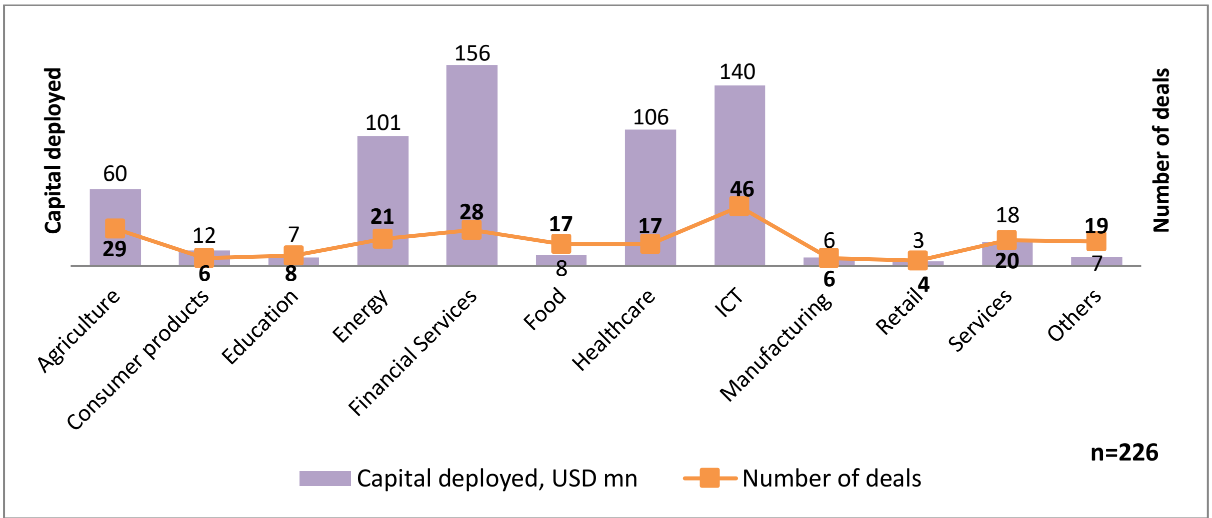
Note: Deal sizes not publicly disclosed for remaining 29 PII deals

The enhancement in deal activity and deal volume has been across almost all ticket size ranges which bodes well for the deepening of the impact ecosystem in the region. In 2020-2022, deals with ticket size less than USD 1 million account for 50% of total PII deals while deals between USD 1 million to USD 10 million account for 40% of deals. From a deal value perspective, deals with ticket size between USD 1 million to USD 10 million account for about 45% while deals with ticket size greater than USD 10 million account for over 50% of deal value.

Between 2020 and 2022, average ticket size of PIIs is USD 3.17 million while median deal value is USD 1 million. Average deal size for PIIs during 2017-2019 was USD 2.74 million and median deal size was USD 1 million; while during 2007-2016 average deal value was USD 3.7 million and median deal value was USD 0.6 million.

3.3.3 Sectors of investment by PIIs

Figure 12: Impact capital deployed by PIIs by sector, 2020-2022



From a deal value perspective, PIIs invested largely in Financial Services followed by ICT, Healthcare, Energy and Agriculture sectors. ICT is the leading sector for PII investments in terms of deal volume. ICT sector comprised of 20% of PII deals in the region. Both ICT and financial services are also sectors that recorded the highest number of large ticket size deals (above USD 5 million) by PIIs in the region. Within ICT, consumer-tech, creator economy, and Software-as-a-Service (SaaS) platforms have been at the forefront for PII investments. Healthcare received the third largest value of deals in aggregate. More than 70% of the deals in the healthcare sector were over USD 1 million – 50% based in Singapore.

This mirrors the acceleration, provided by COVID-19, towards digital transformation in the region and increasing consumers' reliance on digital modes of commerce and service delivery. Southeast Asia's digital economy is set to double to over USD 350 billion by 2025[15] and as digitalisation reaches communities in rural areas, it is anticipated to support the delivery of basic services such as healthcare, agriculture and financial services.

For investments in the Financial Services sector, equity investments comprise about 57% of the deals, while debt comprises over 55% of the capital deployed in the sector by PIIs. However, in a big shift in type of investments within the sector, it is seen that PIIs have been favouring fintech and credit platforms, P2P lending, and micro investment solutions, with over half of the PII deals reported in these sub-sectors during the last 2 reporting time periods. In comparison, microfinance institutions accounted for over 80% of the PII investment in the sector during 2007-2016.

Agriculture and Energy sectors closely follow behind ICT and Financial Services in terms of number of deals by PIIs. Almost half of the deals in agriculture had ticket sizes under USD 0.1 million – with most being reported in the Philippines. Only a very small percentage (about 1%) of the PII capital is deployed into other sectors – which include water & sanitation, logistics, travel & tourism, infrastructure. A limited number of deals were also reportedly undertaken in climate related businesses which engage in carbon sequestration, green plastics, battery recycling, among others, indicating preliminary interest in these emerging sub-segments.

[15] 'Southeast Asia Digital Economy to Reach $363 Billion by 2025', Lee Y., Bloomberg, November 2021

3.3.4 Trends in GLI

Continuing with the growth trends from the last reporting period, GLI deals by PIIs have witnessed an upward trend. Annual deal volumes and values in the current period were higher than aggregate deal data for the preceding period. For example, while there were 37 GLI deals during 2017-2019, PIIs invested in 39 GLI deals in 2021. Even in terms of capital invested, total GLI capital deployed just in 2020 was 1.7 times and that in 2021 was more than three times of that deployed over 2017 to 2019 (USD 15.4 million). PIIs deployed USD 92.5 million in 80 deals with an explicitly stated gender lens in the current three year period.

Table 5: Comparison of GLI activity by PIIs in the region

	Number of deals	Capital deployed *(USD million)*	GLI strategies for deals		
			Gender ownership	Gender products & services	Gender equity
2007-2016	33	43.3	10	12	25
2017-2019	37	15.4	34	13	25
2020-2022	80	92.5	73	23	21
2020	13	26	12	3	4
2021	39	47.9	33	14	7
2022	28	18.5	26	6	10

Note: Most deals are seen to utilize more than one GLI strategy simultaneously, either intentionally or unintentionally

About 60% of the PII investments below USD 1 million were made with an explicit gender lens. About 14% of the PII-led GLI deals fall in the ticket size range of USD 1 million – 5 million. However, GLI investments by PIIs above USD 5 million deal size are minimal. The average ticket size for GLI deals in 2020-2022 has also increased to USD 1.16 million, as compared to an average of USD 0.9 million in 2017-2019, indicating that GLI ticket sizes have steadily increased.

Another key trend is the greater number of women leaders / entrepreneurs receiving investor support. GLI deals between 2020-2022, similar to those done through 2017-2019, were primarily made in support of woman owners / leaders (88%), with about 28% of the deals happening in businesses offering gender-focused products/ services or using gender equity strategy in conjunction with gender ownership. In contrast, 75%, of the 33 GLI deals from 2007-16, were made with a gender equity strategy and less than 30% of the deals with a woman ownership lens.

Investment sectors for GLI deals follow the same trends as the overall PII investing activity in the region, with the most capital flowing into the financial services sector. Agriculture sector accounts for a quarter of all PII-led GLI deals, but only 18% of the capital deployed with a gender lens. Additionally, healthcare is an emerging sector for GLI investments, with 11% of the GLI capital deployed by PIIs going into this sector.

COVID-19 has highlighted issues around women's economic empowerment, with increasing dialogues around the disproportionate challenges faced by women during the pandemic – including burden of care work, job losses, and gender-based violence, among others.[16] This has contributed to a greater interest in investments focused on creating a gender impact. Much of this activity is still focused on women owned/led businesses which is an easier concept to understand for most investors. Market building efforts such as the programs led by DFAT and Investing in Women have not only supported investors in deploying capital with a gender lens, but also worked with support providers to build gender considerations across their processes. Such efforts have led to a growing pipeline of gender-led and gender-focused businesses in the region.

The growth in GLI observed in Southeast Asia is consistent with studies which suggest that the pandemic has not had a significant impact on the growth of GLI across the world. The Wharton Social Impact Initiative and Catalyst at Large found that as of July 2021, there were 206 funds across private equity, venture capital, private

[16] 'Care in the time of coronavirus', Oxfam, June 2020

debt, and permanent capital vehicles.[17] This represents an increase of nearly 50% in the number of funds since July 2020, and over 250% since June 2017.[18] Nearly two-thirds of these are first time funds, indicating a surge in investor interest in the field. Globally, there are also signs of increased interest from mainstream investors towards GLI. For example, a 2020 survey found that 67% of global asset owners identify gender diversity as an area of interest within their investment portfolios.[19]

For mainstream investors gender lens integration is only at early stages, and for many investors, gender lens is often considered more a compliance issue than an integral element of their investment strategy.[20] From a regulatory perspective, there is a growing emphasis on integrating a gender lens in investments in Asia-Pacific region as well. For example, Hong Kong Stock Exchange's introduction in July 2022 of a ruling that any company seeking to list in Hong Kong must have at least one director of a different gender to the board majority. The exchange has also set a three-year deadline for every listed company, new or old, to ensure gender diversity on its board. Similarly, Japan's Government Pension Investment Fund (GPIF)—the world's largest pension fund—invested over USD 3 billion into two gender and diversity indices since December 2020. These activities play an important role in mainstreaming GLI and improving risk perception of such deals. They strengthen the business case for GLI investments and enable an improved capital flow in gender-aware projects.

3.3.5 Impact of investor location

Over 57% of the PIIs deploy capital without a regional presence in Southeast Asia. Although these PIIs do not have a local representative or office in the country of investment, they operate through local partners to source high potential pipeline companies. On the other hand, investors with either a regional or in-country presence have invested close to 47% (USD 291.69 million) of the total impact capital deployed by PIIs. About 38% of the deals by the 28 investors having regional presence have deployed capital in Indonesia, followed by Philippines.

Table 6: Comparison of deal activity for 2020-2022 based on location of investors

	PIIs with regional presence	PIIs without regional presence
Number of investors	28	38
Percentage of deals	59%	41%
Percentage of capital deployed	47%	53%
Average deal size (USD millions)	2.2	3.6
Average number of deals	4.8	2.4

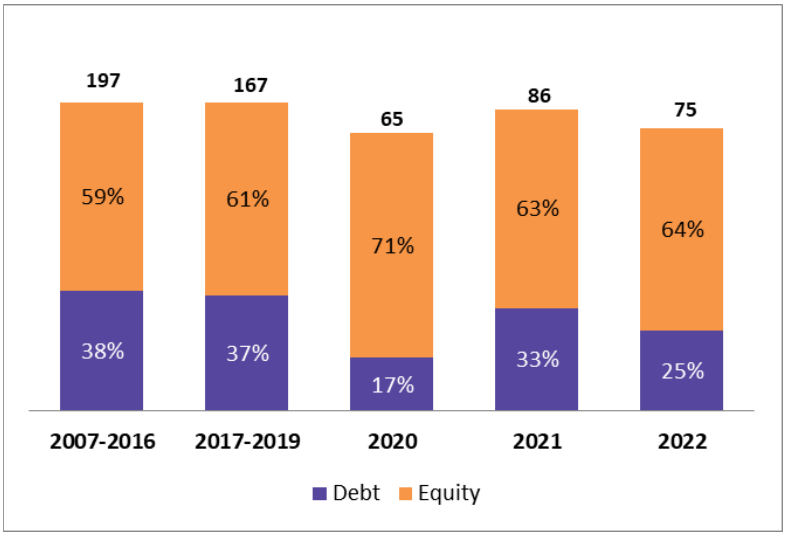
The ability to maintain a local presence in investee country or operate with a country partner assumed greater importance during and immediately after COVID-19, with local investors undertaking 59% of all the PII deals in the region as it allowed ease of conducting due diligence, and in-person entrepreneur discussions and evaluation.

Data indicates that PIIs without a local presence have deployed more capital (USD 333 million) but through a smaller number of deals; such investors seemingly prefer to invest higher ticket size per investee to offset the higher cost of their due diligence and investment processes. This trend also emphasizes the fact that to be able to deploy foreign capital into early stage businesses, investors need local support in the form of network partners for sourcing and/or diligence in their target investee countries. Market building programs in the region (such as IW, GIIN , AVPN) are also helping support providers like QBO and Instellar with grants to focus on women-owned businesses in their cohorts. This is supporting development of a sustainable pipeline of women-owned/led businesses for the GLI investment ecosystem.

[17] Project Sage 4.0 only counted funds that publicly state their gender lens commitment.
[18] IW Gender Lens Investing in Southeast Asia: Literature Review (unpublished, 2023)
[19] Sustainable Signals: Asset Owners See Sustainability as Core to the Future of Investing, Morgan Stanley Institute for Sustainable Investing. 2020
[20] IW (unpublished, 2023)

3.3.6 Instruments used for investing

Figure 13: Impact deals by PIIs by investment instrument, 2007-2022



Note: The investment instrument was not disclosed publicly for some of the deals. Also, 2 deals for 2022 have been left out of the overall analysis as the investments took place through Ethereum (cryptocurrency) by the UNICEF Venture Fund.

PIIs are gradually increasing the share of equity deals over the years. This is in part owing to the emerging sectors of interest for impact investing – including fintech, agritech, healthcare technology, all of which are business models where equity investments apply better. A large number of PII deals from 2020-2022 have been in the ICT and fintech sectors (in line with the trends for 2017-2019) where there is potential for outsized returns with equity investments, but limited regularity of income generation in early stages when debt repayment could be a burden.

Between 2007 and 2010, almost 65% of PII deals used debt, to invest in the financial inclusion and agricultural sectors. However, after 2010, and up to 2019 deployment of equity capital has increased considerably, with debt only accounting for one-third of the deals. This trend saw a shift in 2020, where debt was used for only 17% of the deals – in part due to the transition to more tech-enabled business models, such as edtech and health-tech induced by emerging needs during the pandemic, where equity is the more suited form of investment and also possibly given the erratic revenue generation during lockdowns.

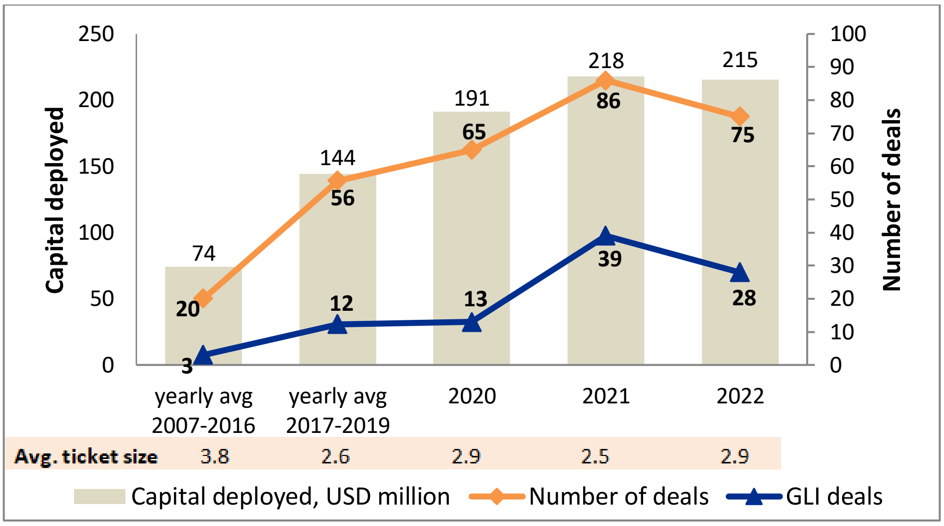
However, for deals with an explicit gender lens, debt constitutes over 53% and equity constitutes roughly 42% of the deals by volume between 2020 and 2022[21]. On the other hand, more than 80% of the GLI deals from 2007-2016 were debt investments primarily into microfinance institutions while debt and equity accounted for 50% of the deals during 2017-2019.

3.3.7 Evolution of PII investments in the region since 2007

Annual PII investments have been registering a steady growth since 2007 in terms of total capital deployed in the region. Between 2007 and 2016, PIIs invested USD 743.9 million in 201 impact deals, USD 433.27 million in 167 deals in 2017-2019, and USD 624.69 million in 226 deals in 2020-2022. The number of PIIs active in the region has also continued to grow – from 59 PIIs in 2019 to 66 PIIs mapped in 2022 – showing that new investors have continued to entered the Southeast Asian market even amidst the economic disruptions of the COVID-19 pandemic.

[21] For the remaining deals, information on the investment instrument used was not publicly available, and 1 deal was done through a combination of debt and equity

Figure 14: Impact capital deployed by PIIs by year, 2007-2022



Sectoral focus – Financial services dominates, with focus shifting to technology

During 2007-2016, more than 62% of PII-led impact capital was deployed in the financial services sector making it the top most sector of investment. Majority of these financial services investments went into microfinance and SME finance institutions. Similarly, for the period 2017-2019 financial services accounted for most capital deployed (50%) as well as the highest number of deals (25%) by PIIs.

Compared to the impact investment activity during 2007-2016 when microfinance institutions accounted for over 80% of the investment in the sector, the investment focus for PIIs has shifted more towards fintechs during 2017-2019 as well as 2020-2022. During this time, over 50% of the investments flowed into online financing/ insurance marketplaces, crowd funding and P2P lending platforms, digital payments and credit scoring solutions.

Energy was the second most preferred sector of investments for PIIs up until 2019; with most investments in focused on solar and non-solar renewable energy. During 2020-2022 though, while financial services remained the top sector of investment, PIIs were turning to other sectors for capital deployment including ICT, healthcare and agriculture.

Target countries for capital disbursement – Indonesia has been the top country of investment for PIIs

Between 2007 and 2016, Philippines saw the most number of PII deals accounting for 26% of the total deals by PIIs, while Cambodia registered the most impact capital deployed by PIIs during the time period. In terms of capital deployment, Cambodia was followed by Indonesia, Philippines and Thailand.

During 2017-2019, Indonesia accounted for around 32% of the PII capital deployed and 38% of the total PII deals in the region. Indonesia was followed by Philippines and Cambodia in terms of capital deployment by PIIs during the period.

For the current period from 2020-2022 PIIs have been deploying most capital in Indonesia both in terms of value (USD 347.5 million) and volume (100), followed by Singapore in terms of deal value (USD 169.2 million) and Philippines in deal volume (48).

Ticket sizes of the impact investments – The average ticket size is USD 3.1 million

During 2007-2016, the average ticket size for PIIs was USD 3.7 million. Close to 65% of the PII deals above USD 5 million were done in the financial services sector, and deals below USD 1 million also see highest representation in financial services (34%), followed by agriculture (17%) and services (11%) sectors.

Between 2017-2019, the average ticket size for PII deals was USD 2.74 million and the median was around USD 1 million. A third of the deals below USD 1 million are in the agriculture sector, followed by 18% in ICT and 13% in the financial services sector. And 39% of the deals above USD 5 million were in the financial services sector.

From 2020-2022, USD 3.17 million is the average ticket size for PII investments while median deal value is USD 1 million. In line with the investment trends from the last 2 reporting periods, most of the large ticket size deals happened in the financial services sector, while deals below USD 1 million were primarily reported in agriculture (17%), services (14%), and ICT (11%) sectors.

Investment instruments used – Preference has shifted from debt to equity over the years

Between 2007 and 2010, almost 65% of PII deals used debt; however since 2010 and up until 2019 impact capital deployment through equity deals has increased considerably. Between 2017-2019, close to 61% of the PII deals used equity as an investment instrument. During 2020-2022, 65% of the impact deals by PIIs used equity investment and only 25% used debt.[22]

Gender lens investing in DFI investments – Gender ownership is the most used GLI strategy

Between 2007-2016, 33 PII deals used an explicit gender lens for capital deployment. During this period, a staggering 75% of the GLI deals used a gender equity strategy and less than 30% deals were through gender ownership strategy.

During 2017-2019, PIIs invested in 37 deals with a stated gender lens. During this time, 92% of the deals were into women-owned/led businesses, 35% in businesses offering gender products/services, and 67% in businesses focused on gender equity across the value chain. 43% of the PII-led GLI deals during 2017-2019, were in the agriculture sector and used primarily used debt as the investment instrument with only 5 out of the 16 agriculture deals done through equity.

Between 2020-2022, PIIs invested in 80 deals with an explicit gender lens. One-fourth of these deals were in the agriculture sector and all of them used debt as the investment instrument, similar to the previous reporting period. Another 25% of the deals were in the financial services and services sectors, with financial services registering more debt deals and services sectors recording more equity deals. 88% of these deals used gender ownership strategy for investment, 28% deals were in gender products/ services, while 26% deals were through gender equity strategy.

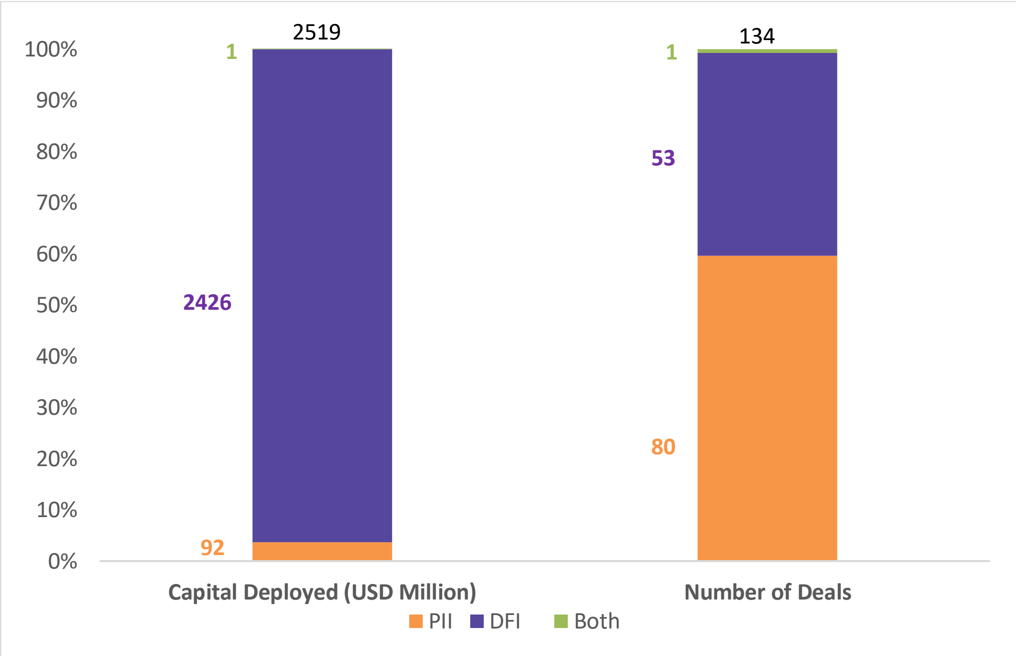
[22] Investment instrument was not disclosed for about 8% of the PII deals, while 1% deals used a mix of debt and equity for investment.

4. Gender Lens Investing (GLI)

4.1. GLI investment activity

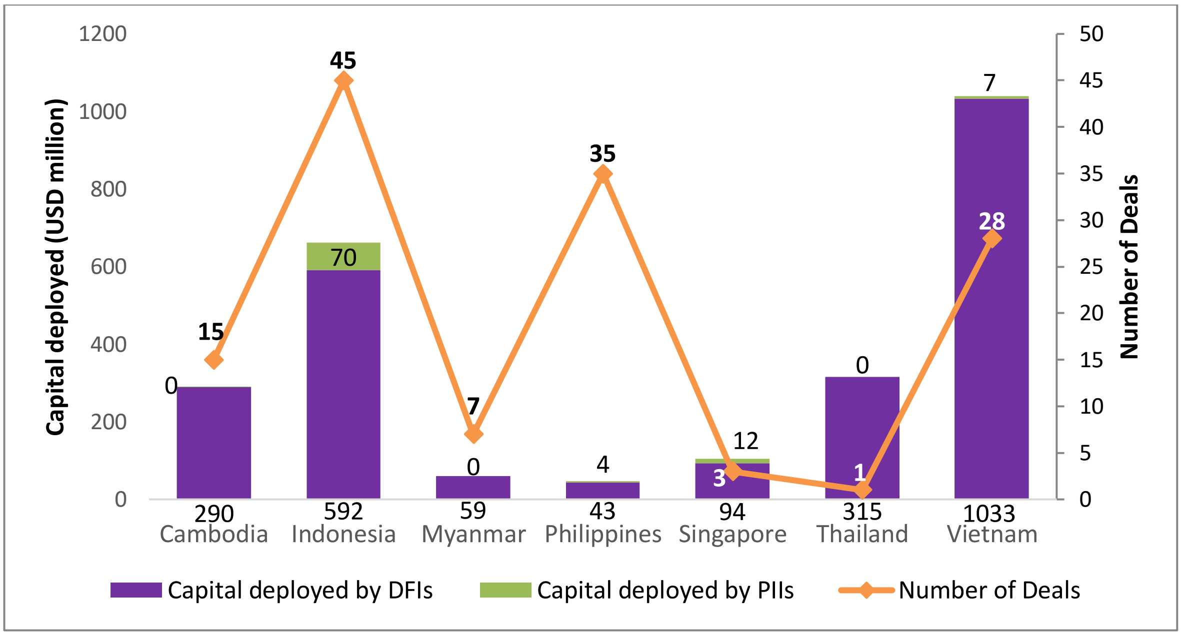
GLI activity has grown significantly in the region from 2020-22 – on an aggregate basis, seven times more capital was invested with a GLI lens as compared to the prior three-year period. The total capital deployed through these 134 deals was about USD 2.5 billion. In this period, 134 GLI deals have been executed in Southeast Asia. Out of these, 80 were executed by PIIs, 53 by DFIs and one had a joint investment by both DFI and PII. PIIs have closed more GLI deals in terms of volume, but in terms of capital deployment DFIs dominate.

Figure 15: Deal volume and capital deployed in GLI, 2020-2022



Over the past few years there has been a surge in the number of impact investors with GLI focus in the region. In terms of the capital invested, Accial Capital, Patamar Capital, Incofin, Leapfrog, TGIF are prominent private investors with a GLI focus. These investors have made fewer deals, but with a bigger ticket size per deal. Between 2020 and 2022, Indonesia Women Empowerment Fund (IWEF) and the Philippines based InBest Cap Ventures emerged as active GLI investors in the region in terms of deal numbers. Other investors who have made multiple GLI investments in the past three years include Foundation for a Sustainable Society Inc. (FSSI), Manila Angel Investors Network and SK2 Fund.

Figure 16: Regional GLI activity by country, 2020-2022



Investing in Women (IW) has been supporting the adoption of GLI in Southeast Asia since 2016 with a focus on channelling greater private capital towards GLI by creating a stronger evidence base on the links between diversity, performance and value creation. IW has worked with ten investor partners in this time to mobilise capital for women's SMEs in Indonesia, Philippines and Vietnam. As a result, investors have increased the percentage of women run SMEs in their firm-wide portfolio and have made firm-wide gender-based commitments, including beyond the three target countries. For example, one investor (associated with IW) has pledged to double their gender inclusive and women-led investments firm-wide by 2025. Another has committed that with any further fundraising they complete, those raises will continue to have a 75% commitment to women's SMEs.

In terms of geographic focus, Indonesia, Vietnam and Philippines dominate the market in terms of number of deals. Combined, these three constitute about 80% of GLI deals by volume. Singapore is the only other country that has shown significant GLI activity by PIIs. Cambodia, Thailand and Myanmar have no GLI deals lead by PIIs. This geographic pattern indicates that the IW program has played a seminal role in increasing GLI in the region.

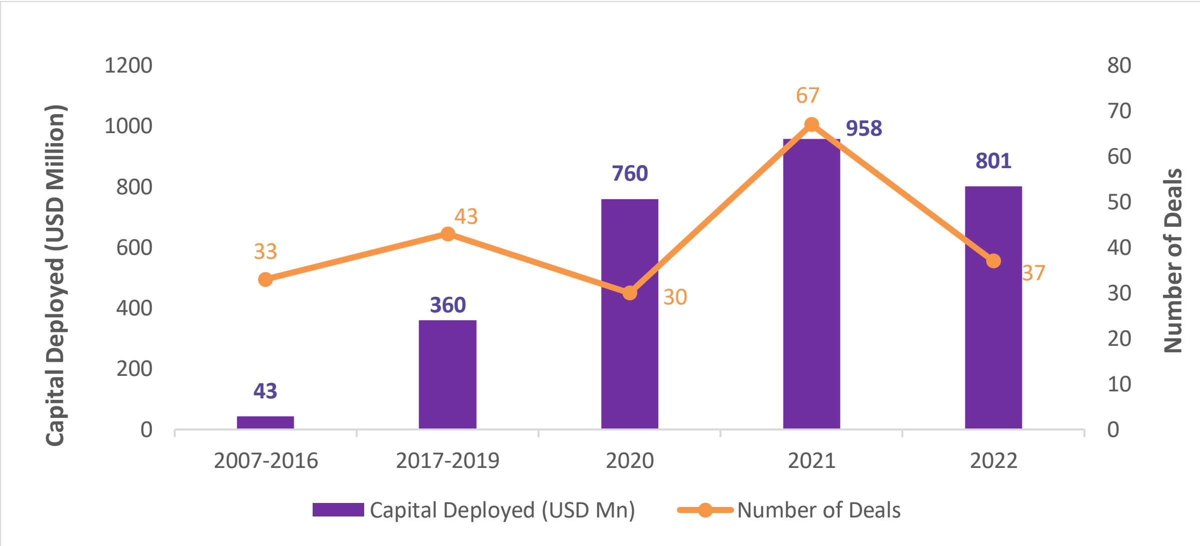
Vietnam has received over 40% of the total GLI capital deployed in the region (approx. USD 1 billion), most of which has been disbursed by DFIs.

4.2. Evolution of GLI (2007-2022)

GLI in Southeast Asia has grown significantly over the past six years across a multitude of parameters – volume of deals, value of deals, sophistication of investment strategy as well as investment ticket sizes. PIIs have acted as an important growth engine of GLI activity in Southeast Asia. Out of the total 226 impact deals made by PIIs from 2020-22, about 35% had an explicit gender lens. This has risen sharply from a proportion of 22% in 2017-2019. An important enabler for PIIs is the more commercial environment in the region, which promotes investments as compared to other emerging markets. Another positive indication of PII interest in GLI in the region is the emergence of women-centred funds such as IWEF, Beacon Fund, and ANGIN's women fund.

There was a nine-fold increase in DFI-led GLI deals between the periods 2017-2019 when DFIs invested in six deals with an explicit gender lens, as compared to 2020-2022 when DFIs invested in 53 deals with an explicit gender lens. The steep growth in overall capital deployed with a gender lens in Southeast Asia has been largely driven by the increased interest from DFIs in adopting GLI strategies.

Figure 17: Evolution of GLI by deal value and volume, 2007-2022



Between 2017 and 2019, DFIs executed six particularly large GLI deals in Southeast Asia, but private impact investors were responsible for the vast majority—over 85% by volume—of the total number of deals in the region. Between 2020-2022, the number of DFI deals jumped by 9 times, but the number of PII deals was still higher.

4.3. GLI deal sizes

The average PII GLI ticket size has increased in the period 2020-22 as compared to 2017-19. GLI activity continued to grow in terms of both deal sizes and the overall capital deployed during this time, despite the challenges posed by COVID-19.

Figure 18: Average PII GLI ticket size, 2007-2022

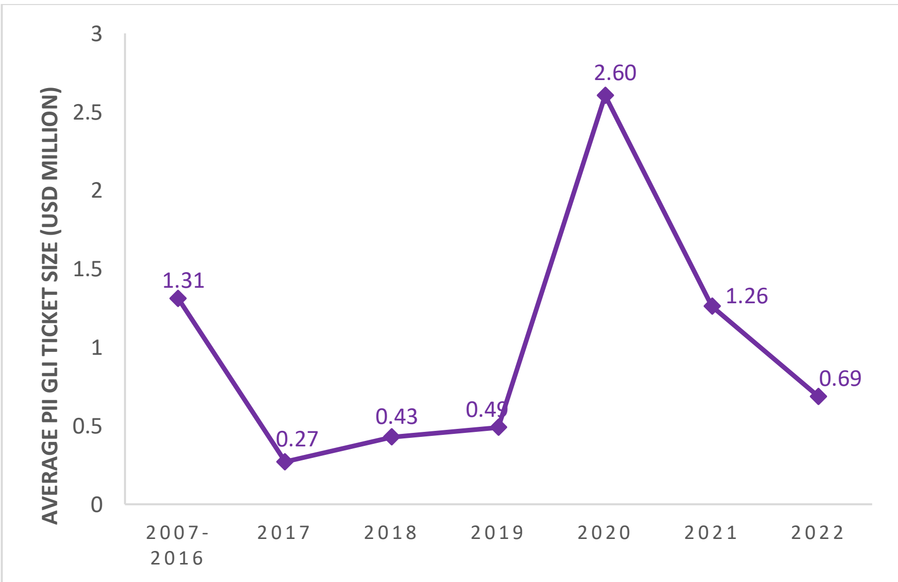


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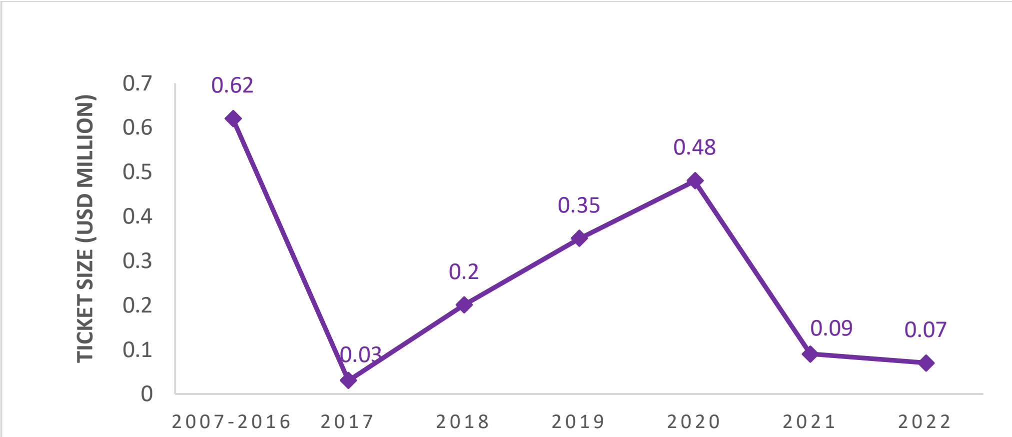
Figure 19: Median deal sizes – GLI by PII, 2007-2022

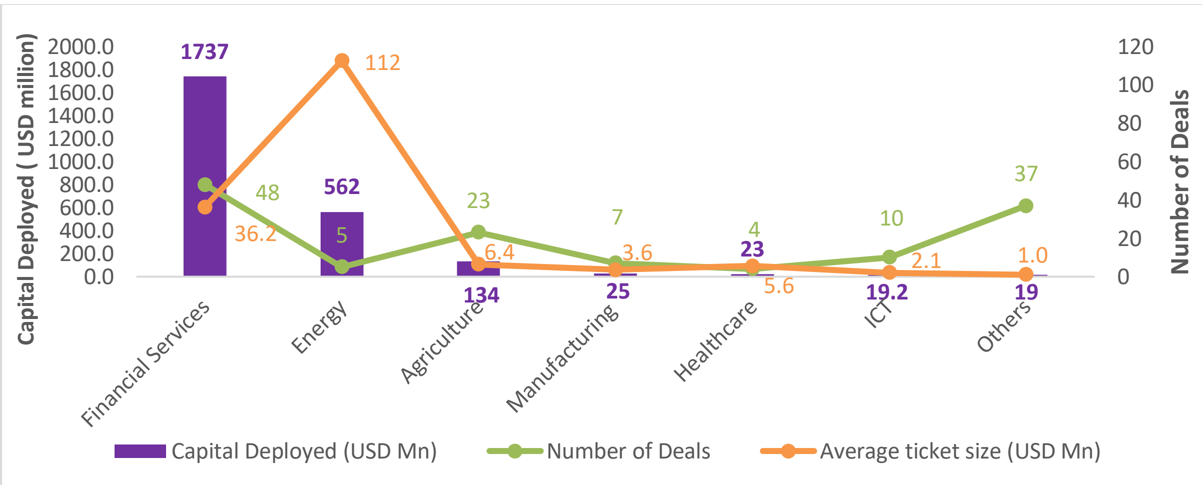


While PIIs have definitely driven GLI deal volumes, the deal size of private GLI deals is lower than of private impact investments. Median PII GLI deal size is USD 0.1 million, which is about 5% of the median non-GLI PII deal size. Moreover, there has been a recent decline in PII GLI deal sizes. For 2017-2019, the median PII GLI deal size was USD 0.3 million as compared to USD 0.1 million for 2020-2022. The increase in deal volumes may have contributed to this, as research indicates several investors finding more women's SME opportunities further downstream in the market, where businesses have smaller initial investment needs, whether due to the pandemic and economic slowdown, or a lack of investment readiness.

The average DFI GLI deal size between 2017-2019 was USD 57.5 million, while the average size of DFI GLI deals between 2020-2022 saw a drop to USD 46.6 million.

4.4. Sectors of Investment by GLI

Figure 20: Capital deployed with a gender lens by sector, 2020-2022



Note: Others include food, services, retail, WASH, education, consumer products/services, transportation, infrastructure, and travel & tourism.

The financial services sector witnessed the highest number of deals (48) and the largest amount of capital deployed, about USD 1.7 billion. This amount is almost 13 times more than that deployed in agriculture, which is the sector to receive the second highest amount of capital.

Most of the capital invested using a gender lens has targeted commercial banking for SMEs and microfinance. The average ticket size (USD 36.2 million) in financial services is much higher as compared to other sectors due to DFI focus on microfinance and projects to facilitate access to finance for WSMEs. The objective of most of these deals is to promote inclusive finance and hence, increase access to capital for women. Similarly, all 5 deals with explicit GLI focus in energy sector were concluded by DFIs (ADB was the sole investor in 4 deals and one of the three investors in the other). Hence, the average ticket size was highest (USD 112.4 million) in the energy sector. All deals in the energy sector had a focus on renewable energy, specifically solar power.

Investors expect opportunities in sectors where women make up a large part of the workforce and where female founders can launch products or services for women that address a market inefficiency or gap based on their personal experiences.[23] Other high potential sectors for women-led enterprises include biotechnology, telehealth, medical devices, diagnostic medicine and medical infrastructure.[24]

4.5. GLI investment strategies

Investors look at enterprises that adopt at least one of the following three strategies while evaluating enterprises to support from a GLI perspective:

- Enterprises led / founded by women
- Enterprises that impact women by providing opportunities to women as employees, suppliers and value chain partners
- Enterprises that offer critical products and services that meet women's and girls' needs.

Investors in the region have integrated GLI tools and strategies at the sourcing and due-diligence stages of their investment process. At the due-diligence level, investors use checklists and gender disaggregated data to incorporate a gender focus.

Table 7: GLI Investments Strategies, 2017-2022

GLI Strategy used for deals with an explicit Gender Lens	Number of deals		Capital deployed	
	2020-2022	2017-2019	2020-2022	2017-2019
Women Ownership/Leadership	84	37	280	331
Products/Services for women / girls	58	15	1,663	29
Gender Equity	48	26	1,210	15

In terms of deal volume, the biggest emphasis was on women owned / led businesses, as almost 63% of all GLI deals had a woman founder. Most PIIs are adopting the most straightforward gender strategy to integrate a gender lens in their investment process, though there is also continuing interest in the other two GLI strategies.

However, the influence of DFIs means the quantum of capital being deployed into women-owned / led is much less than that going into the other two GLI strategies. Most DFIs are adopting the other two strategies to channel their investments with a gender lens and are supporting at scale businesses that are willing to be more gender sensitive. However, given the much larger ticket sizes disbursed by DFIs, women-owned business that require smaller ticket sizes present an opportunity that can be tapped by PIIs.

Some investors have also invested in "unintentional" GLI deals. These are deals which do not have an explicit focus on women but impact women indirectly. Most of these deals have a woman co-founder, but the investor did not specifically seek to invest in women or invest with a gender lens. Between 2020-2022, about 27 such deals were made amounting to capital deployment of USD 90 million, with the major share of this in Indonesia. These deals are separate from the 134 deals with explicit gender focus.

[23] Inputs received from IW partner research study
[24] Buckley J., Addis R., and Reyes R. 2021, 'Investing in Women for the Future of Southeast Asia

4.6. Instruments used for Investing

From a value perspective, debt deals dominated GLI investments in 2020-2022 – accounting for 89% of the total capital deployed, as compared to equity deals which contributed only 3% of the capital deployed. [25]The primary factor underpinning this is that most GLI debt capital by value is provided by DFIs who seek to provide debt capital to financial services firms promoting gender inclusion with large ticket sizes.

PIIs, on the other hand, have been more focused on early stage businesses when looking to invest with a gender lens – which entails smaller ticket sizes and also equity since debt repayment may be challenging for such businesses.

4.7. Opportunities and Challenges

Private investors are becoming increasingly interested in GLI, though sourcing investment-ready women's SMEs can be a challenge for some investors. Women's SMEs are typically smaller in scale and their risk appetite towards investment may vary. At the same time, many investors continue to use traditional evaluation criteria which may eliminate women's SMEs and lead to a perception of limited pipeline of women-owned businesses in the market. Given the scale and often early stage of business, the capital requirement for women's SMEs is often below the typical ticket size of most of these investors. This issue was heightened by COVID-19, where many businesses, particularly women-led, suffered. Many investors have since developed pre-investment support programs for female entrepreneurs to help them become investment ready. IW experience suggests that having a clear definition of GLI products, and active knowledge sharing with investors, especially private investors, has helped increase commitments in the space.

A noteworthy point that has emerged through IW's work with investors is the wide disparity between the needs and hence the support required by different investors to integrate a gender lens in their investment process. The degree of GLI integration varies widely across different investors, depending upon their specific size, organisational structure, capability and experience, resources, and financial and impact goals. IW has supported investors to adopt Gender Action Plans, enabling them to incorporate gender-responsive policies in their own organisational structures. IW and other organisations such as 2X Collaborative and Value for Women are also promoting GLI activity in the region through publications, toolkits and conferences to share key insights and experiences among investors. These initiatives have fostered growth of a GLI ecosystem in the region by deepening the pool of fund managers willing to adopt a gender lens as well as encouraging women's SMEs to reach out to investors to meet their capital needs.

Going forward, programs that build awareness and capacity of capital providers (LPs) as well as encourage technical service providers to incorporate gender sensitive programming will help deepen the pool of enterprises as well as make more capital available to PIIs.

- *Gender lens integration at a technical assistance stage is still lagging.* Technical assistance can be provided in the form of advisory, venture building, mentorship, and/or relationship building, but service providers have less focus on matching female mentors with female-led investees, working on gender inclusive policies with investees, or analysing specific assistance that supports women entrepreneurs (like access to childcare, family management, etc.).
- *Lower awareness about GLI among capital providers.* PIIs find it more challenging to raise capital for a GLI-focused fund as compared to general impact-focused funds. For example a PII, when fundraising for both a general impact fund and another specific GLI fund targeting WSMEs found that it was less effective to try and get the mainstream capital providers to adopt a gender-lens. When raising capital for an impact fund, adding GLI as one of the top unique selling propositions of the fund seemed to confuse potential LPs. For the fund where GLI was made front and centre, it was found that the pool of potential investors reduced.

[25] Information on the type of instrument used was not available for deals representing 8% of the capital deployed.

Further, there is a perception issue which discourages investors from looking at WSMEs as viable businesses to invest in. Many investors, especially local, still believe that GLI is a philanthropic activity and not an investment vehicle. Thus, there is still work to be done in the market in knowledge sharing and educating the larger capital provider community.

Further, adoption of emerging GLI investment instruments could enable investors deploy more capital to support women's empowerment. Gender bonds are emerging as a promising new GLI investment instrument. These bonds build on the experience of global impact investors with the success of green bonds, which have been used to finance environmental and infrastructure projects, diversify investment portfolios, and to meet stakeholder demands for greater environmental accountability. Gender bonds are debt securities with the objective of supporting women's empowerment and gender equality. Going forward, gender bond issuances are expected to grow as the current supply of gender-related sustainable bonds does not meet demand from capital providers.[26] DFIs and corporations are the most active gender bond issuers globally, and UN Women is supporting several governments to issue sovereign gender bonds.[27] In Southeast Asia, IFC committed in 2020 to fully support the Indonesian bank OCBC NISP's gender bond, with a focus to increase lending to Indonesia's women entrepreneurs and women-owned and -led SMEs.[28]

Singapore-based Impact Investment Exchange (IIX) recently launched a new asset class known as **"orange bonds".** These bonds are named after the colour of the UN Sustainable Development Goal 5 (Gender Equality). These orange bonds are the fifth issuance of its publicly traded Women's Livelihood Bond (WLB) series. The IIX has raised USD 128 million since the launch of WLB in 2017. The primary goal behind issuing orange bonds is to tap into the USD 100 trillion global bond market to advance gender equality. This will increase the efficacy, comparability, and credibility of such bonds, facilitating their transaction. IIX estimates that orange bonds could unlock USD 10 billion in gender-lens investing by 2030. WLB will provide loans to enterprises in Cambodia, Indonesia, and the Philippines, and across sectors including microfinance, SME lending, clean energy, sustainable agriculture, water and sanitation, and affordable housing.[29]

4.8. Support needed to promote GLI

Research by Intellecap and other IW partners found that the following support is required to support and promote GLI in Southeast Asia:

- **There is a need for better market-fit for investment products**: Investment products need to be adaptable to best fit the needs of businesses impacting women. For example, the initial ticket size that investors perceived suitable for WSMEs was found to be too large. Several emerging GLI investors have found that there are more WSME investment opportunities further downstream in the market, with smaller initial investment needs.[30]

  The declining median investment ticket size of PII investments also provides credence to this finding. In the past two years, GLI deal sizes have become smaller, especially among locally-based investors. One local investor's average cheque size is USD 77,000 and after a proof of concept by another, they have set up a facility which deploys cheques below USD 50,000.

- **Pre-investment support for gender-inclusive and women-led businesses to improve investment readiness**: Several GLI investors active in the region have recognised the value of pre-investment support for women-led businesses that are not quite ready for investment. In the past two years, three investors ran formal acceleration programs for women-led businesses to help build pipeline and

[26] ICMA, IFC and UN Women 2021, cited in IW *Gender Lens Investing in Southeast Asia: Literature Review* (forthcoming, 2023).
[27] Responsible investor
[28] https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/annual+report-2020/stories/indonesia, accessed March 28 2022
[29] 'Impact Investment Exchange Closes First 'Orange Bond' at US$50m to Invest in Women in Asia and Africa', IIX, 2022
[30] Inputs from IW partner research study

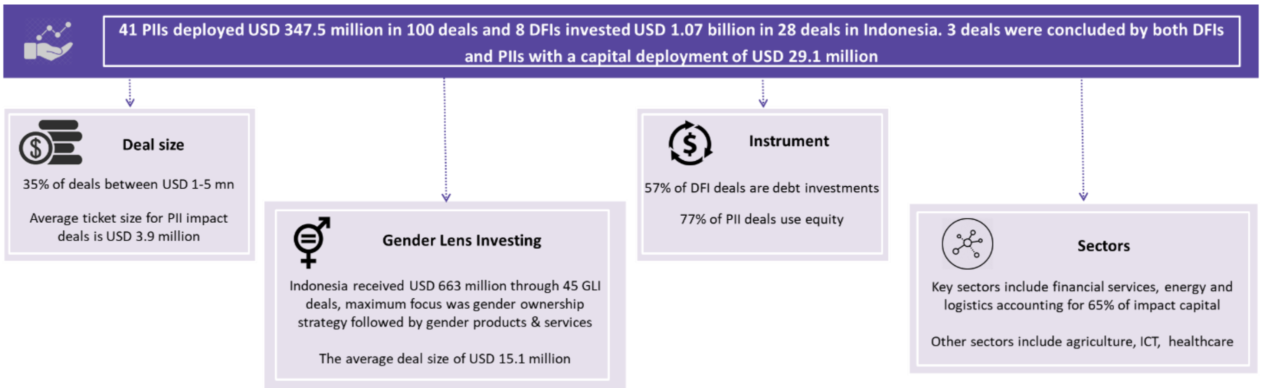
capacity within the ecosystem. Other investors used advisory, mentorship, or more informal technical assistance to help prepare female-led businesses for investment. Another important function delivered by accelerators is building a strong community of female entrepreneurs.

- **WSMEs require both tailored support and trusting relationships:** There is a need for more gender welcoming events, to make both female entrepreneurs and investors feel comfortable and reinforce entrepreneurs' confidence. Coaching is a positive and effective way to build trust with women's SMEs and some investors' experience is that women may accept coaching more willingly than male-led businesses. This approach can also be a tool to build mutual trust.

5. Country-wise Impact Investing Activity

5.1 Indonesia

Figure 21: Overview of impact investing in Indonesia



5.1.1 Impact capital invested in Indonesia

Indonesia is the most active market for impact investing in the region in terms of number of impact deals. Between 2020 -2022, 131 impact deals were executed in the country. Of these 100 were executed by PIIs, 28 by DFIs and 3 by both. The total capital deployed through these 131 deals is about USD 1.4 billion.

Table 8: Impact capital deployed in Indonesia, 2007-2022

	Capital deployed (in USD billion)						
	2007-2016	2017	2018	2019	2020	2021	2022
DFIs	3.5	0.27	1.27	0.39	0.30	0.29	0.48
PIIs	0.12	0.07	0.03	0.04	0.12	0.13	0.10
Total	3.64	0.34	1.3	0.43	0.42	0.42	0.58

Note: DFIs and PIIs co-invested in 8 deals between 2007-2016, 2 deals during 2017-2019 and 3 between 2020-2022.

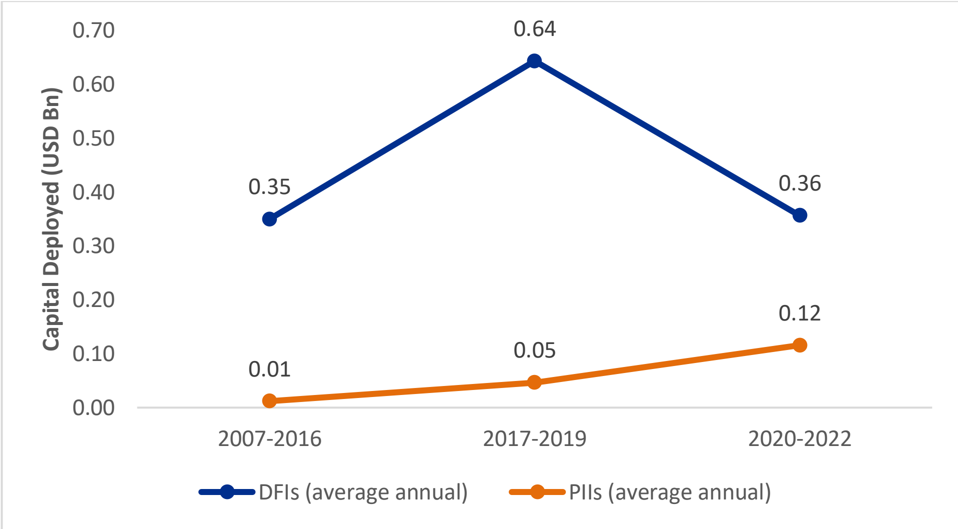
Table 9: Number of Impact investing deals in Indonesia, 2007-2022

	Number of deals						
	2007-2016	2017	2018	2019	2020	2021	2022
DFIs	65	5	11	10	7	14	7
PIIs	45	28	18	18	30	40	30
Total	110	33	29	28	37	54	37

Almost 70% of the deals have ticket size under USD 10 million. Investments with a ticket size in the range of USD 1 million - 5 million are the most active and account for about a third of all deals. This combined with the fact that impact deals in Indonesia exhibit presence across a wide array of ticket size ranges indicate that the Indonesian market exhibits a good mix of early stage, growth stage and mature stage enterprises.

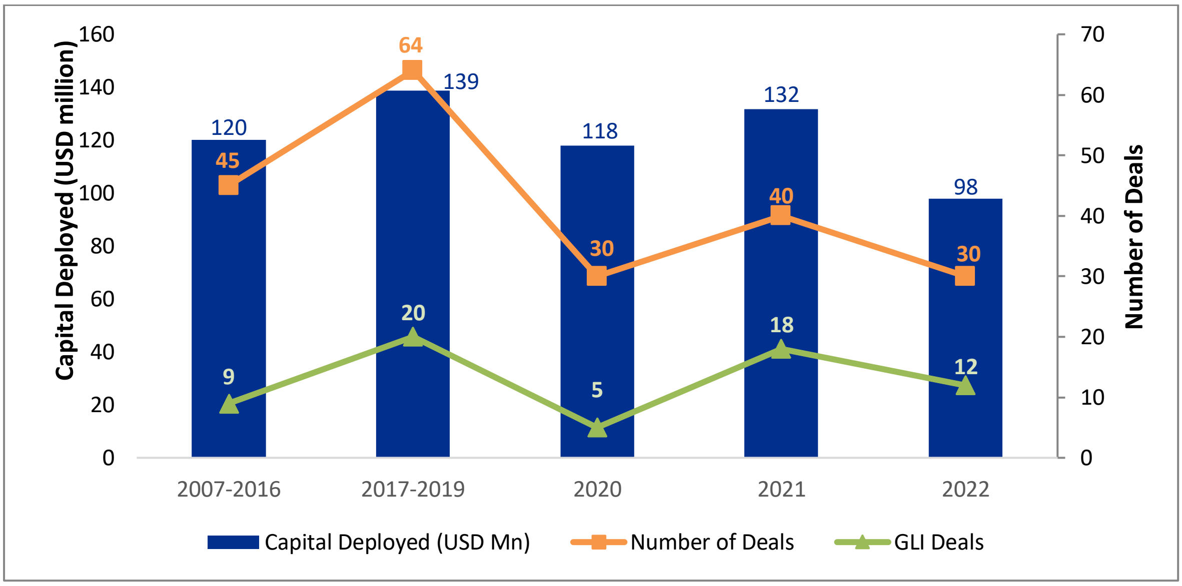
The mature stage investments (USD 5 million and above) comprised only about 20% of the deals and constituted 71% of the total capital deployed in the country.

Figure 22: Capital deployed by Impact Investors, 2007-2022



About 20% of the entire impact capital deployed in the region in 2020-22 has gone into Indonesia. This figure has dropped from the 30% that the country attracted in the previous three-year period. The average annual impact capital invested by DFIs peaked between 2017-2019 and has dropped back since, indicative of the fact that DFIs are expanding to other emerging markets in the region, with a focus on sectors beyond energy. At the same time, the average annual impact capital deployed by PIIs has slowly increased, indicating the growing interest of private investors in impact investing.

Figure 23: Impact capital deployed by PIIs in Indonesia by year, 2007-2022



The start-up ecosystem, in general, has evolved considerably in Indonesia over the past few years. The country has witnessed emergence of home-grown unicorns such as Tokopedia and Gojek[31]. Impact investing activity has also gained ground over the past few years. During 2020-2022, 41 PIIs invested in 100 deals in the country. Between 2017-2019, PIIs invested in about 21 deals per year on average and this number rose to 33 between 2020-2022. The steady growth of PII investments is a positive trend for the development of impact investing ecosystem in Indonesia. Between 2020 and 2022, PII investments exhibited a 56% growth as compared to the

[31] Tija B., 'Why Indonesia is a Perfect Ground for High-Return Impact Investing', Indonesia Impact Fund, February 2023, accessed March 20 2023

previous three years. The average ticket size of 100 PII deals was USD 3.90 million, with the median size of USD 1.56 million.

The number of DFI deals has remained in the range of 5-15 deals per year between 2017-2022. The average ticket size of 28 DFI deals was USD 38.22 million with median deal size of USD 18.9 million. The three deals which witnessed participation from both DFIs and PIIs had an average ticket size of USD 9.7 million.

5.1.2 Sectors of investment

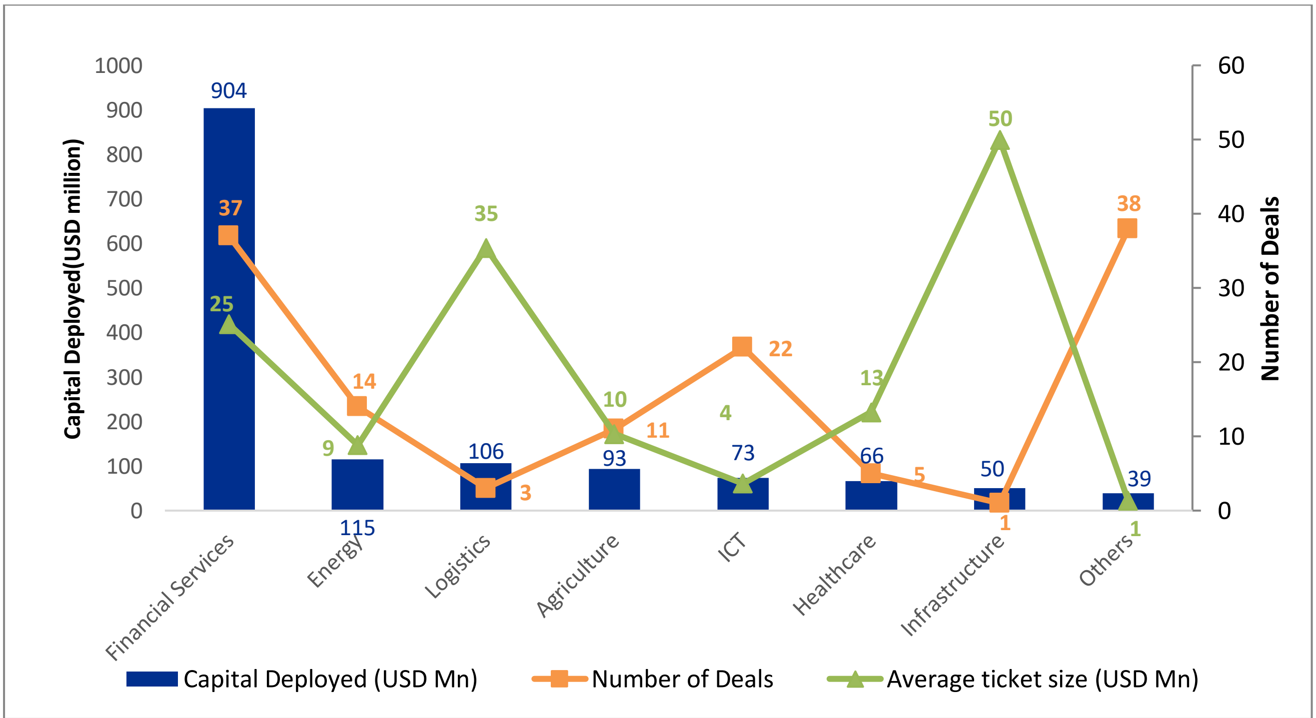
The sectors that received the highest amount of investments were financial services, energy, logistics, agriculture, ICT and healthcare, in that order. Financial services, energy and ICT received the highest number of deals. From a deal value perspective, as compared to prior period, capital invested in the financial services went up by a factor of 2.5 while investments in energy sector fell by 90%.

Deals in the financial services sector were concentrated in fintech, P2P and crowdfunding platforms, and microfinance organizations. There was a significant change in investments flowing into the energy sector. Between 2017 and 2019, the sector had only received investments from DFIs. Between 2020-2022 however, 14 deals were executed in the sector, out of which DFIs invested in 4 and PIIs invested in 10. 90% of the PII deals in the sector were equity deals. About 85% of overall deals were in renewable energy enterprises.

Three deals were concluded in the logistics sector by DFIs, with large ticket sizes. The focus was on freight and trucking companies in the country.

Similarly, fisheries and aquaculture were the area of focus within agriculture, with about 50% of the deals (by volume) going in the subsector. Within healthcare, there was a focus on online platforms and apps connecting patient and doctors, with 3 out of 5 deals focusing on such platforms, and the remaining 2 deals focused on pharmaceutical companies.

Figure 24: Capital deployment in Indonesia by sector, 2020-2022



Note: Others include services, manufacturing, food, education, consumer products/services, retail, transport, travel and tourism and climate.

5.1.3 Instruments used for investing

About 57% of DFI deals were debt investments and about 29% were equity (the instrument could not be ascertained for the rest of the deals). With respect to PIIs, 16% of the deals used debt as an instrument, 2% used a mixture of debt and equity, and 77% used equity as instrument.

Almost 81% of debt investments are concentrated in sectors such as financial services, energy, agriculture and food. In the period 2020-2022, some sectors such as energy and ICT saw many more equity deals as compared to debt deals even though this split was not as contrasting as in the previous three years.

5.1.4 Gender Lens Investing

Between 2020-2022, Indonesia reported the highest number of GLI deals in Southeast Asia. Out of the 134 GLI deals in the region in this period, Indonesia attracted 45 deals. The Indonesia Women's Empowerment Fund, Teja Ventures, and SAVEarth Fund are some of the emerging impact investors who have participated in GLI deals.

Among the 45 explicit GLI deals in 2020-22, the focus was on financial services and ICT. Out of an additional 16 unintentional deals (i.e. deals which do not have an explicit focus on women but impact women indirectly), there was a focus on financial services (5 deals), food (4 deals) and agriculture sectors (3 deals).

The average ticket size of PII-led GLI deals (35 out of 45) was USD 2.05 million, while that for DFI-led GLI deals (9 out of 45) was USD 65.74 million. A growing number of investors were active in the Indonesia market compared to the previous triennium (41 private investors and 8 DFIs in 2020-22).

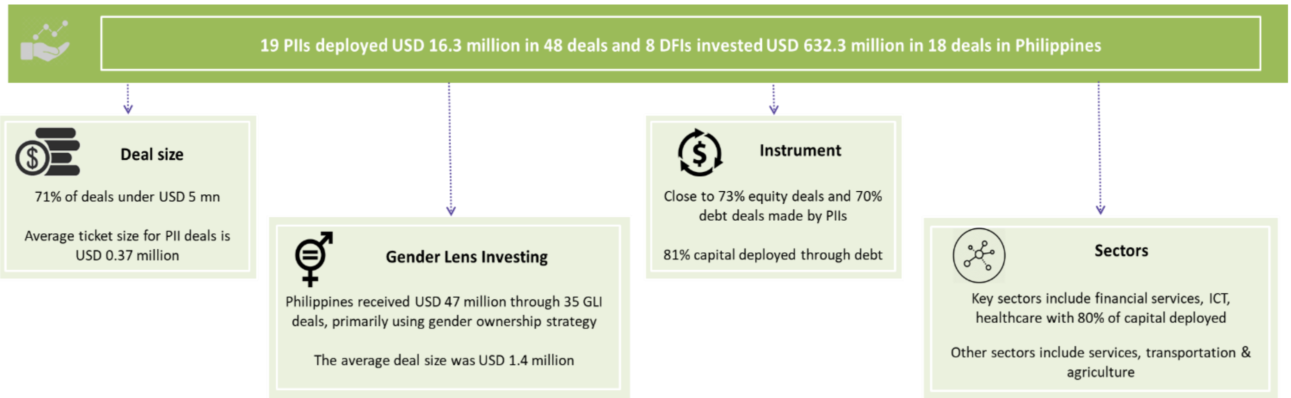
About 73% of the GLI deals use gender ownership as an investment strategy. There has been a significant increase in the number of investments in enterprises offering gender focused products and services rising from from 3 in 2017-2019 to 24 in 2020-2022. As per feedback from investors,[32] most of them have transitioned to using gender relevance as an additional consideration in the investment process, but they need not explicitly mention gender as an area of focus. For instance, investors may be more focused on investing in climate-tech but, for each investment proposal, an analysis of how the enterprise addressed underlying gender issues is carried out. There has been increased awareness and responsiveness to gender in the country's investment ecosystem, as compared to a decade back when there was a pressing need to create basic awareness about the need for a gender lens.

The number of business support providers/ ecosystem intermediaries has also grown in the country but it is not enough to support the burgeoning entrepreneurial activity. More capacity building programs are required that can support the growing number of enterprises in the ecosystem.

[32] Insight from primary interview with investor based in Indonesia

5.2 Philippines

Figure 25: Overview of impact investing in Philippines



5.2.1 Impact capital invested in Philippines

The Philippines is the second-largest impact investing market in Southeast Asia by number of deals between 2020 and 2022, after Indonesia. In terms of capital invested however, Philippines ranks below Vietnam, Indonesia, Thailand and Singapore.

A total of USD 649 million was invested in the country through 66 deals in the last three years. DFIs have invested about USD 632 million in the country through 18 deals. 13 of these investments were made by IFC. 19 PIIs have invested a total of USD 16 million through 48 deals in the country.

Table 10: Impact capital deployed in Philippines, 2007-2022

	Capital deployed (in USD billion)						
	2007-2016	2017	2018	2019	2020	2021	2022
DFIs	2.1	0.19	0.15	0.18	0.04	0.26	0.32
PIIs	0.09	0.04	0.009	0.056	0.005	0.007	0.004
Total	2.2	0.23	0.16	0.24	0.05	0.27	0.33

Table 11: Number of impact deals in Philippines, 2007-2022

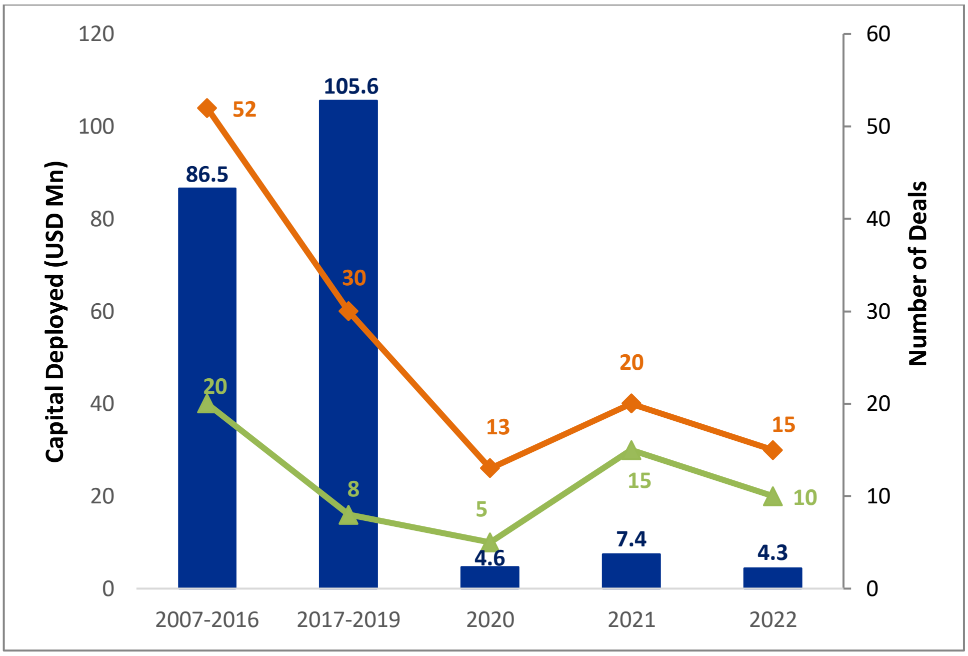
	Number of deals						
	2007-2016	2017	2018	2019	2020	2021	2022
DFIs	37	8	5	3	3	6	9
PIIs	51	12	7	11	13	20	15
Total	87	20	12	14	16	26	24

Note: Between 2007 and 2016, DFI and PII co-invested in 1 impact deal in Philippines.

47 impact deals, about 71% of the total deals, in Philippines had a ticket size of less than USD 5 million. Out of these 47 deals, 23 had a ticket size of less than USD 100,000, signifying that many impact investors focus on seed and pre-seed stages. 14 impact deals, 21% of the overall deals, focused on growth stage companies, with deal sizes above USD 5 million. These 14 deals together constituted about 96% of the total capital deployed.

The average deal size for impact investments in Philippines was around USD 10.63 million while the median deal value is USD 0.242 million. Average ticket size for PII impact deals was USD 0.37 million.

Figure 26: Impact capital deployed by PIIs in Philippines by year, 2007-2022

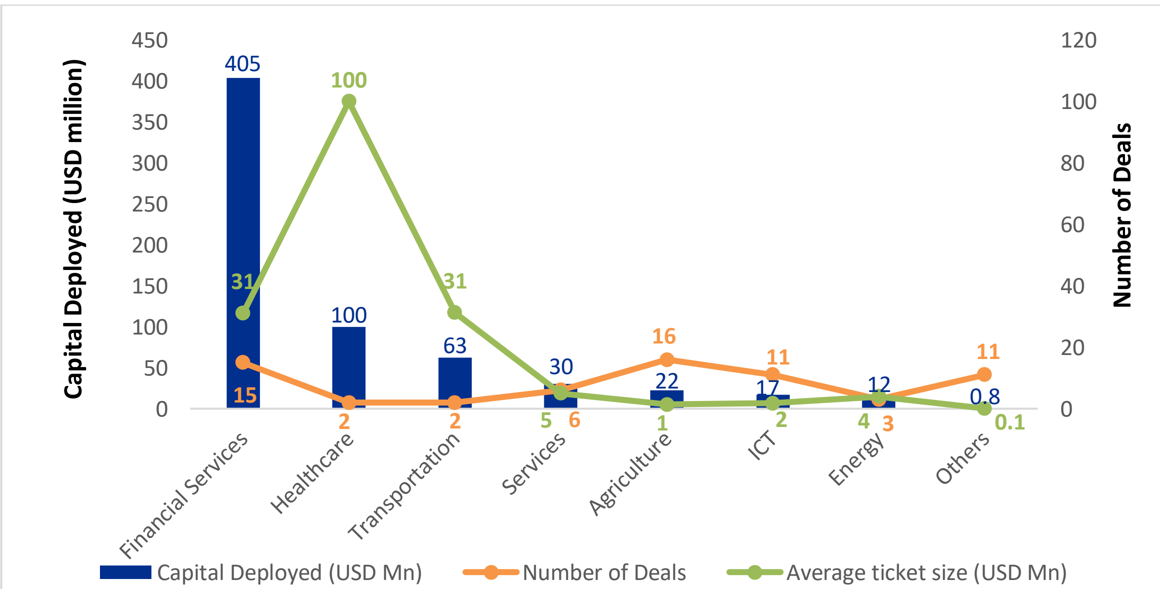


From a deal volume perspective, PIIs have been making more investments in the country, as compared to DFIs. On average, PIIs have undertaken 16 impact deals per year from 2020-2022 in the country, while DFIs have made 6 deals per year

However, from a capital flow perspective, PII investments in the Philippines for the period 2020-2022 plummeted by 84%. Capital deployment by DFIs constituted about 97% (USD 632.29 million) of the total impact capital invested into the country and was in line with DFI investments in the prior period. For DFI investments, most deal sizes ranged between USD 10 million – 50 million.

5.2.2 Sectors of investment

Figure 27: Impact capital deployed in Philippines by sector, 2020-2022



Note: Others includes manufacturing, logistics, education, infrastructure, food and consumer products/services

From a deal volume perspective, the Philippines received the highest number of investments in financial services, ICT, agriculture, and services sectors. In terms of capital deployed - financial services, ICT, transportation and healthcare are prominent sectors. Most of the investments in financial services were made by DFIs (6 out of 10 deals) with an average ticket size of about USD 50 million. DFIs have also invested in ICT (7 out of 16 deals) with an average ticket size of about USD 18.53 million. IFC made a large ticket deal (USD 62.50 million) in the transport sector. ICT has received increased attention from both DFIs and PIIs, and leads in terms of number of deals executed. In ICT, 15 out of 16 deals use equity as an investment instrument. Agriculture as a sector has witnessed one of the highest deal volumes (16 deals). About 94% of these are debt-based deals.

Most of the deals in financial services are commercial banking and platform-based deals. Within ICT, the focus is on e-commerce, livestreaming apps and enterprise resource planning software. Within agriculture, the focus is on fruits/vegetable farming and fisheries.

5.2.3 Instruments used for investing

In Philippines, 36 of the 66 deals were debt based and 22 were equity based. One deal leveraged both debt and equity structures, while the instrument used for 7 deals could not be determined. About 81% of the capital was deployed through debt deals. 11 out of 18 DFI deals use debt as an investment instrument. 25 out of 48 PII deals are also debt deals. The average ticket size for debt deals was USD 47.38 million and that for equity deals was USD 5.8 million.

Similar to the investment trend since 2007, agriculture and financial services witnessed the highest debt deal volume, constituting 58% of all debt deals. About 59% of equity deals were made in ICT sector, largely in fintech and ecommerce platforms.

5.2.4 Gender Lens Investing

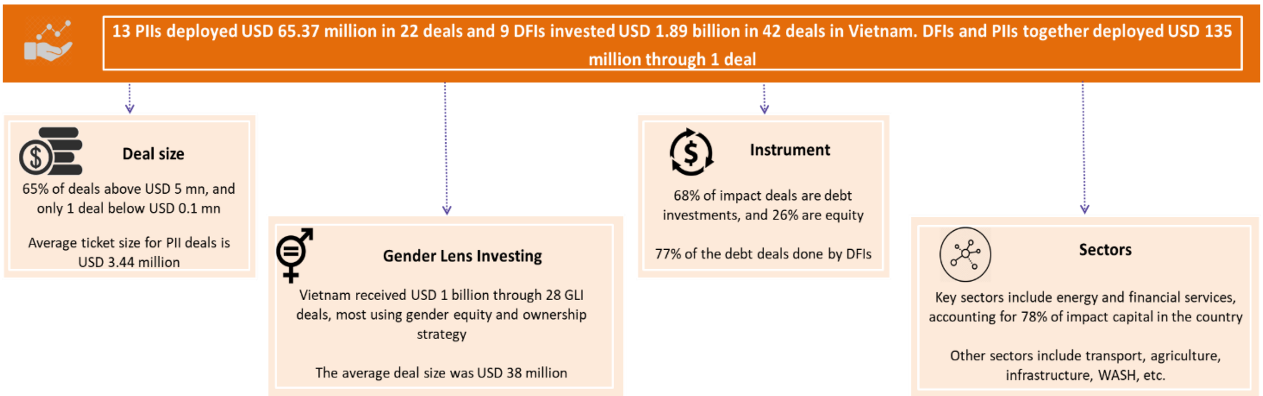
From 2020 to 2022, Philippines reported 35 deals with an explicit gender lens. This included 5 deals by DFIs and 30 deals by PIIs, including InBestCap Ventures, Foundation for Sustainable Society Inc. (FSSI), Manila Angel Investors Network and The Small Enterprise Assistance Funds (SEAF). A majority of the PII-led GLI deals have been done with a gender ownership strategy. The other two strategies have not received as much focus with 6 and 3 deals having utilized gender focused products/ services and gender equity strategies respectively. Only one deal had an unintentional gender lens. This is a significant shift from the previous three years, when over 20% of impact deals (by volume) applied an unintentional gender lens in the Philippines.

An important development in the country is that several PIIs with a local presence have emerged over the last three years - 28 out of 35 GLI deals were made by impact investors based in Philippines; however, they have typically made small ticket size investments. This is an important enabling development that could benefit the impact ecosystem in the country. Besides local PIIs, non-regional investors from USA and Norway are actively investing in Philippines.

60% of the explicit GLI deals in Philippines had an average ticket size of USD 0.05 million. This indicates that even though the number of investments in Philippines is increasing, new GLI investors are focusing downstream to identify smaller businesses for initial investments with small ticket sizes. These deals were spread across multiple sectors. Larger ticket-size deals (larger than USD 5 million) were focused in mostly in financial services and ICT companies.

5.3 Vietnam

Figure 28: Overview of impact investing in Vietnam



5.3.1 Impact capital invested in Vietnam

In 2020 and 2022, Vietnam attracted the highest quantum of impact investments in Southeast Asia. The country received a total of USD 2.09 billion through 65 deals. In terms of capital deployment, this is about 30% of the entire impact capital deployed in the region. DFIs invested USD 1.89 billion through 42 deals and PIIs invested USD 65.37 million through 22 deals.

The unique aspect of impact investing in Vietnam is that two-thirds of the deal flow was in larger deals (> USD 5 million). While there were 5 deals with an investment ticket size of greater than USD 100 million, there was just one deal with a ticket size below USD 100,000. Even PIIs showed a preference towards large deals – almost 70% of PII deals were greater than USD 5 million.

IFC (17 deals) and ADB and DEG (6 deals each) were prominent DFIs in the country. 11 different PIIs also invested in the country, most of them with a regional presence, as opposed to the previous three years where most PII investments were made by foreign investors.

Table 12: Impact investing activity in Vietnam, 2007-2022

	Capital deployed (in USD billion)						
	2007-2016	2017	2018	2019	2020	2021	2022
DFIs	1.1	0.540	0.354	0.378	0.507	0.559	0.823
PIIs	0.025	0.000	0.003	0.004	0.015	0.019	0.031
Total	1.2	0.540	0.358	0.382	0.522	0.577	0.855

Table 13: Impact investing activity in Vietnam, 2007-2022

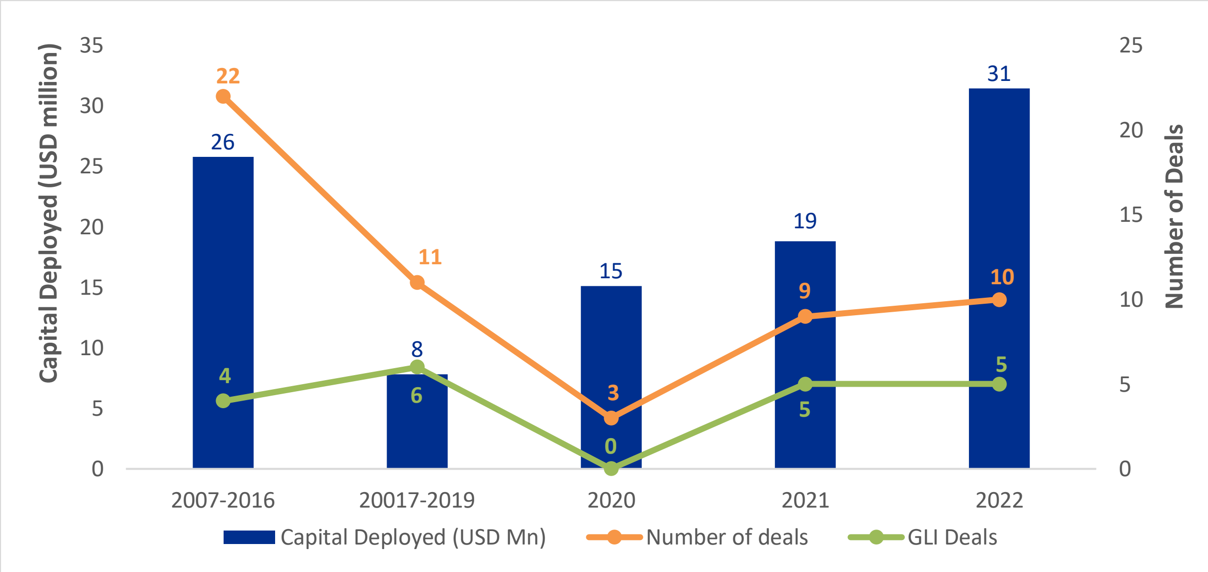
	Number of deals						
	2007-2016	2017	2018	2019	2020	2021	2022
DFIs	41	14	4	8	12	17	13
PIIs	22	2	6	3	3	9	10
Total	63	16	10	11	15	24	23

Note: There was 1 deal in 2022 that was executed by both DFI and PII

The highest amount of capital was deployed in financial services sector. High ticket size deals were fairly well distributed among different sectors indicating the overall maturity of impact ecosystem in the country.

The average ticket size for impact deals in Vietnam is around USD 33.7 million while the median deal value is USD 12 million. Average ticket size for PII impact deals in Vietnam is around USD 3.44 million, while median deal value is USD 1.56 million.

Figure 29: Impact capital deployed by PIIs in Vietnam by year, 2007-2022

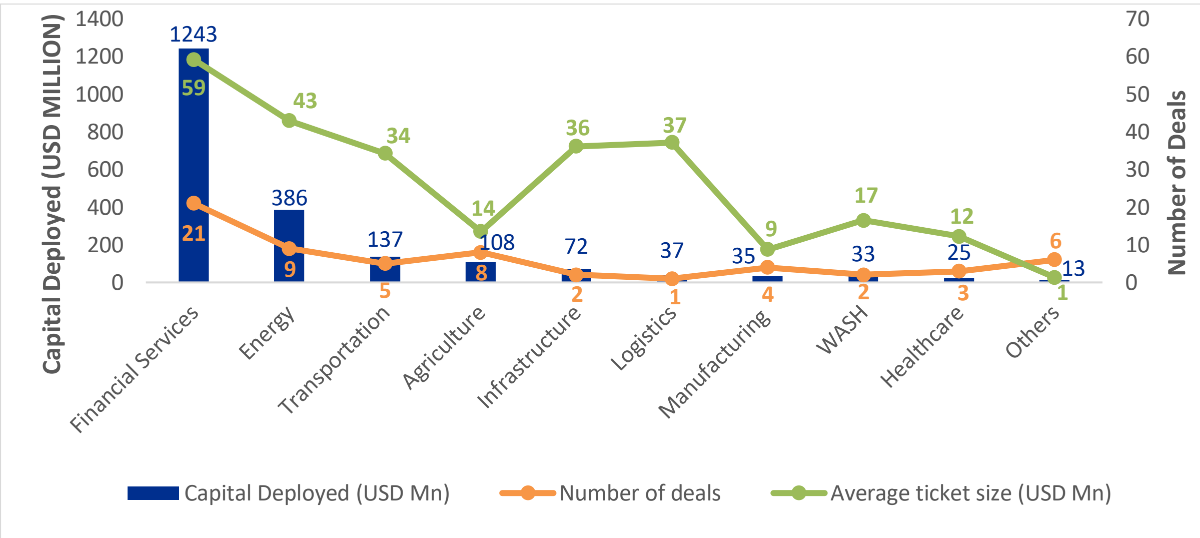


Impact investing activity by PIIs has picked up pace over the last three years. After registering a slump between 2017-2019 (just 11 deals), PII activity doubled to 22 deals. The median and average deal size of PIIs also increased as compared to the previous three years.

Another distinguishing feature of Vietnam is that impact deals by DFIs outnumbered PII investments by almost 2 times. The capital deployed by DFIs is about 29 times that deployed by PIIs. There was a rise of 58% in the capital invested by DFIs as compared to the previous three years.

5.3.2 Sectors of investment

Figure 30: Impact capital deployed in Vietnam by sectors, 2020-2022



Note: Others include ICT, retail, education, services, and food.

In Vietnam energy and financial services are the leading sectors in terms of impact capital deployment. 7 of 9 deals in energy sector were made by DFIs. Of these, most leveraged debt funding. 19 out of 21 deals in financial services sector were made by DFIs and majorly used debt as an instrument of funding.

Investments in financial services are mostly in the form of debt funding to commercial banks. All investments in the energy sector are focused on solar power companies. Despite accounting for the third highest number of deals, the agriculture sector received a relatively limited amount of capital. The average ticket size was USD 13.5

million which is much lesser as compared to the average ticket sizes in financial services (USD 59.18 million) and energy sector (USD 42.92 million)

5.3.3 Instruments used for investing

About 68% (44 out of 65 deals) of the impact deals were debt deals in Vietnam, while 26% (17 out of 65 deals) registered equity deployment. The nature of instrument could not be determined for 4 deals as their investment details were not available in the public domain. Owing to the lower understanding and familiarity of social entrepreneurs with equity, and enterprises lacking the required structural, financial and administrative best practices, equity investments is likely to remain limited in the country.[33]

Out of the 44 debt-based deals, 34 were made by DFIs, 9 by PIIs and 1 by both. 11 of 17 equity deals were executed by PIIs and 6 by DFIs. Almost 60% of debt investments were made in financial services, agriculture and manufacturing sectors. Most of the equity funding was focused on ICT, financial services and transportation sectors.

5.3.4 Gender Lens Investing

28 deals with an explicit gender lens were carried out in Vietnam from 2020 – 2022. Most of these deals were in the financial services sector, followed by agriculture, agriculture, energy and manufacturing. Unlike in Indonesia and the Philippines, most deals in Vietnam had a focus on gender equity as opposed to gender ownership. Three deals had a focus on all three dimensions.

The total capital deployed through these deals was about USD 1.04 billion. The highest number of GLI investments was in financial services and agriculture sectors. The average deal size for GLI deals concluded by DFIs was USD 45.02 million and that of deals concluded by PIIs was USD 0.77 million. The median deal size for GLI deals concluded by PIIs was USD 0.5 million. Thus, PIIs are mostly focusing on small ticket size deals for gender-aware investments.

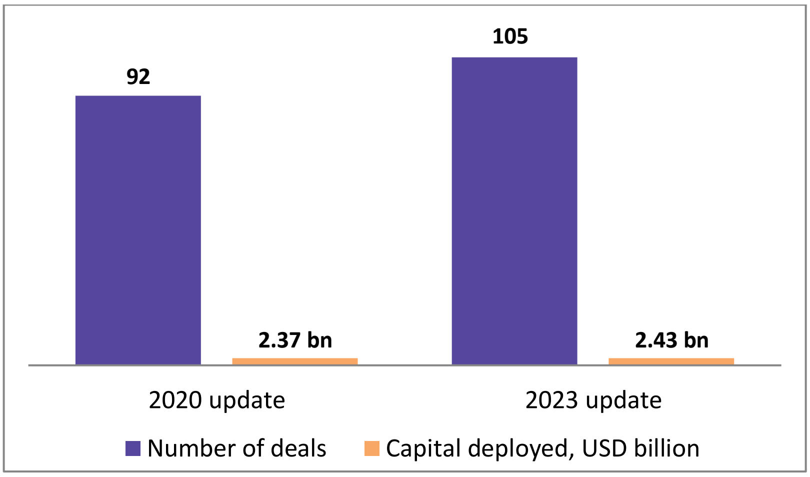
[33] Intellecap's previous research in the country

Annexure: Delta in 2019 deals between the updated database and 2020 database

The 2020-2022 Southeast Asia impact deal database, on which this report is based, is an update to the previous database prepared for the '*Advance of Impact Investing in Southeast Asia*' report. The previous database covered deals between 2017 and 2019. Since the previous research was conducted in early 2020, the database was unable to cover some deals from 2019 which were not yet disclosed in the public domain.

In order to ensure that majority of the impact deals are included in the analysis of overall impact investing activity for the region, the current update also reviewed all impact deals carried out in 2019. A quick summary of the change in 2019 deals is provided below:

Figure 31: Comparison of 2019 deals



- Comparing the updated database with the previous 2020 deal database, we have identified 13 additional 2019 impact deals as part of the 2023 update.
- These 13 deals constitute an additional USD 55.22 million capital that had been deployed in 2019 by PIIs and DFIs in the region, over and above the USD 2.37 billion through 92 deals reported in the previous database – about an additional 2% over previous amount of capital identified.
- PIIs concluded over 60% of these additional deals, but accounted for less than 2% of the additional capital deployed.

Geographic coverage of the additional 2019 deals

- Over 50% of the additional capital was deployed in Vietnam and about 20% in Cambodia. However, in terms of deal volume, the highest number of deals was in Indonesia, followed by the Philippines and Cambodia.
- Even though Vietnam received the highest capital deployment at USD 30 million, all of it was through a single DFI-led (DEG) deal in the climate finance space. The capital was deployed in the form of debt.
- The geographic variation indicates a clear shift in terms of investment focus which is also in line with the larger 2020-2022 database – DFIs have taken a significant interest in the Vietnam impact investing market while PII activity is very strong in Indonesia and the Philippines.

Financial services and ICT sector saw the most number (2 each) of high value deals, while agriculture and WASH reported early stage deals only.

- The additional deals include growth and mature stage investments in the financial services (average deal size USD 20 million) and ICT sectors (average deal size USD 7 million).
- The agriculture sector also had 2 deals, but these were early stage investments with an average deal value of USD 0.2 million.

Gender lens in the additional 2019 deals

- 5 of the 13 additional deals used an explicit gender lens for investment, with 4 of these deals undertaken by PIIs – all of them IW partner investors.
- Three of the PII-led explicit GLI deals were in the agriculture (2) and healthcare (1) sectors, and were done through debt investments and utilized all of the three GLI strategies simultaneously. The remaining one investment went into an Automation platform for SMEs, using the gender ownership and gender equity strategies.
- Only one DFI deal in financial services was done with an explicit gender lens, deploying debt through a gender focused product strategy.
- Only 1 deal was undertaken with an unintentional gender lens in Indonesia and was into a woman-owned/led enterprise.