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DEUTSCHE INVESTITIONS- UND ENTWICKLUNGSGESELLSCHAFT GMBH
(DEG) & OESTERREICHISCHE ENTWICKLUNGSBANK AG (OEEB)

KANDEO FUND: INVESTING IN WOMEN'S LEADERSHIP AS A WIN-WIN- WIN STRATEGY



Case Study Report

THIS CASE STUDY REPORT WAS PRODUCED WITHIN THE FRAMEWORK OF DEG'S AND OEEB'S RESEARCH STUDY ON THE TRANSFORMATIVE IMPACT OF GENDER-LENS INVESTING. IT FORMS PART OF A SERIES OF REPORTS OF THREE EXPLORATORY CASE STUDIES THAT WERE CONDUCTED TO GAIN INSIGHTS INTO THE EFFECTS OF PRIVATE SECTOR INVESTMENTS ON WOMEN'S ECONOMIC EMPOWERMENT IN DEVELOPING MARKETS, AND, IN PARTICULAR, ON WOMEN'S LEADERSHIP. THEIR FINDINGS ARE INFORMING DEG'S AND OEEB'S STRATEGY BUILDING IN THIS REGARD.

THE FOLLOWING REPORT WAS PREPARED BY SYSPONS GMBH.

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Abbreviations

DEG	Deutsche Investitions- und Entwicklungsgesellschaft mbH
DFI(s)	Development finance institution(s)
ESG	Environmental, social, and corporate governance
OeEB	Oesterreichische Entwicklungsbank (Development Bank of Austria)
SDGs	Sustainable Development Goals
SMEs	Small and medium-sized enterprises

1 Introduction

The World Economic Forum's Global Gender Gap Report 2021 estimates that it will take another 267.6 years to close the **global gender gap in economic participation and opportunity**¹. This prognosis is based on two contrasting developments: On the one hand, the number of women in skilled professions is rising, and wage equality on average increasing. On the other hand, differences in overall income remain, and low representation of women in leadership positions persists, with women constituting less than one-third of all manager positions globally. Moreover, gender gaps in labor force participation, hiring rates, promotions and leadership roles have widened since the outbreak of the Covid-19 pandemic, delaying careers, and jeopardizing financial security of women².

In achieving economic gender parity, increased efforts to promote **women's economic empowerment** (see box on this page) and hence gender equality are necessary. It is not only **"the right thing to do"** to ensure the fulfillment of human rights and the achievement of global human development goals; it is also **"the smart thing to do"** as gender diversity in the workplace presents an opportunity for economic growth and enhanced business performance⁴. Research points, inter alia, to increased benefits such as higher return on equity, employee engagement, reputation, and governance for companies with more women in top management and on boards⁵.

Women's Economic Empowerment is defined as a process "whereby women and girls experience transformation in power and agency, as well as economic advancement". "Power" can take different dimensions, ranging from individual capabilities and self-belief ("within") to economic decision-making power within households and communities ("to") to access to and control over assets ("over") to the ability to organize with others to enhance economic activities and rights ("with")³.

In this respect, the UN Sustainable Development Goals (SDGs) recognize in particular the importance of enhancing **women's full and equal participation and equal opportunities for leadership** to increase gender equality globally⁶: Female leaders balance representation in decision-making, have a positive impact on workplace policies, act as role models, and provide support and mentorship needed by other women to advance in their careers⁷. Moreover, tackling gender inequalities in leadership can help reduce related inequalities, such as the gender pay gap and gender differences in wealth and economic security⁸.

Consequently, the G7 Development Finance Institutions' (DFIs) launch of the **2X Challenge**⁹ in 2018 has presented a major commitment to mobilizing **private sector investments** for helping women advance as entrepreneurs, business leaders, employees, and consumers in developing markets. While investing with a gender lens (see box on next page) is becoming more popular, empirical evidence on *how* private sector investment activities *actually* achieve effects on women's economic empowerment is limited. Notably, there is a need to better understand how the

¹ World Economic Forum, (2021). *Global Gender Gap Report 2021*. Geneva: World Economic Forum. http://www3.weforum.org/docs/WEF_GGGR_2021.pdf;

² Ibid.

³ Perezniето, P., Taylor, G., (2014). *A review of approaches and methods to measure economic empowerment of women and girls*. *Gender & Development*, 22(2), pp.233-251. <https://doi.org/10.1080/13552074.2014.920976>

⁴ UN, (2021). *Gender Equality and Women's Empowerment*. United Nations Sustainable Development Goals. <https://www.un.org/sustainabledevelopment/gender-equality/>; UN Secretary-General's High-Level Panel (UNHLP), (2016). *Leave no one behind: Call to action for gender equality and women's economic empowerment. Report of the UN Secretary-General's high-level panel on women's economic empowerment*. <https://www2.unwomen.org/-/media/hlp%20wee/attachments/reports-toolkits/hlp-wee-report-2016-09-call-to-action-en.pdf?la=en&vs=1028>; Ostry, J. D., Alvarez, J., Espinoza, R. A., Papageorgiou, C., (2018). *Economic Gains from Gender Inclusion: New Mechanisms, New Evidence*. International Monetary Fund. <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2018/10/09/Economic-Gains-From-Gender-Inclusion-New-Mechanisms-New-Evidence-45543>

⁵ ILO, (2017). *Women in Business and Management: Gaining momentum in Latin America and the Caribbean*. Bureau for Employers' Activities. https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---act_emp/documents/publication/wcms_579085.pdf

⁶ For more information see SDG 5.5 of the SDGs: <https://sdgs.un.org/goals/goal5>

⁷ Women Deliver, (2018). *Policy Brief: Balancing the Power Equation*. Women's Leadership in Politics, Businesses, and Communities. <http://womendeliver.org/wp-content/uploads/2018/09/Women-Leadership-Policy-Brief-9.23.18.pdf>; The Rockefeller Foundation. (2016). *Women in Leadership: Why it Matters*. <https://www.rockefellerfoundation.org/wp-content/uploads/Women-in-Leadership-Why-It-Matters.pdf>

⁸ OECD, (2020). *Policies and Practices to Promote Women in Leadership Roles in the Private Sector*. <https://www.oecd.org/corporate/OECD-G20-EMPOWER-Women-Leadership.pdf>

⁹ For more information visit: <https://www.2xchallenge.org/>

persistent lack of women in leadership positions can be addressed, and how its potential for increasing gender equality can be realized.

Gender-lens investing refers to private sector investment activities that provide women in developing markets with 1) improved access to and use of capital, including entrepreneurship; 2) workplace equity, referring to fairness for women in the workforce, including in leadership positions, and ensuring support for their workplace needs; and 3) products and services that enhance their economic participation¹⁰.

Within this context, the following report presents the case of **Kandeo**, a fund that invests in companies that provide financial services to people and small and medium-sized enterprises (SMEs) that are not efficiently or effectively attended to by traditional financial systems in Colombia, Mexico, and Peru. Within the framework of DEG's and OeEB's research study on the transformative impact of gender-lens investing, the case of Kandeo, a DEG investment, helps explore the factors and pre-conditions that enable women to advance in their workplaces, the relationship between women's leadership and women's economic empowerment, and the role that investors can play in driving gender equality within their portfolio investments. The presented findings are based on qualitative data that was collected by the study team between June and July 2021, including a document analysis and ten interviews with leadership and staff at Kandeo as well as a former portfolio company of Kandeo.

2 The Case: Kandeo Fund

Kandeo¹¹ is an **asset manager** focused on providing **financial services** to people and SMEs that are underserved by traditional financial systems in **Colombia, Mexico, and Peru**. Up to 30% of customers of Kandeo's portfolio companies gain access to financial products for the first time in their lives¹². Founded in 2010, Kandeo currently operates two private equity funds. In addition, Kandeo 3D, a debt fund, had its first closure on October 15th, 2021, and Kandeo 4E, another private equity fund, is going to start its fundraising strategy in the beginning of 2022. Investors include pension funds, fund of funds, DFIs, family offices, investment banks, and endowments. The 11 companies of Kandeo's 1,008 million USD investment portfolio span various industries. They encompass, inter alia, retail, microcredit, education, and healthcare, and employ approximately 8,500 individuals, serving over 530,000 clients every year¹³.

As part of its investment and environmental, social, and corporate governance (ESG) strategy, Kandeo is particularly committed to promoting **gender equality**. This goal in mind, Kandeo tracks and enhances **female representation** at all levels of portfolio companies. With success: As of 2020, there is a woman on the board of directors of all subsidiary companies, and 41% of managers, 48% of employees, and 73% of clients are female¹⁴ (*see table on the next page*). The latter, female clients, are reached with **new products** that have been launched to support women in becoming financially independent through Kandeo's investments. Kandeo's achievements in generating measurable social and environmental impact along with financial gain have been recognized in the region, e.g., with the CFI 2018 Award for Best ESG Private Equity Team Latin America¹⁵.

¹⁰ DEG, (2020). *Women at Work - Win win win: Good for Business, Good for Women & their Families, Good for Local Development*. DEG Evaluation Results. Cologne: DEG. https://www.deginvest.de/DEG-Documents-in-English/About-us/What-is-our-impact/DEG_Gender-Lens-Investing-Paper_Final.pdf; OeEB, (2020). *Gender Lens Investing – OeEB's Position Statement and Action Plan*. Vienna: OeEB. https://www.oe-eb.at/dam/jcr:343e7eb0-8c0c-4615-b4dc-9562d7880854/OeEB_GenderActionPlan.pdf

¹¹ Visit Kandeo's website for more information: <https://www.kandeofund.com>

¹² Kandeo, (2019). *ESG Impact Report 2019*.

¹³ Kandeo, (2020). *Impact Report 2020*. <https://www.kandeofund.com/uploads/default/sections/1eb754bceecbd5f5fc1376dc600569ac.pdf>

¹⁴ Ibid.

¹⁵ CFI, (2018). *Kandeo Fund LP: Best ESG Private Equity Team – Latin America 2018*. <https://cfi.co/awards/latin-america/2019/kandeo-fund-lp-best-esg-private-equity-team-latin-america-2018>

Table: Portfolio Company Impact Data Summary 2020¹⁶

Kandeo Fund Total (Fund I + II)	Base ¹⁷	2020	Growth %	Growth in Numbers
Employees	10.695	8.495	-20,6%	-2.200 ¹⁸
Female Employees	45,3%	48%	2,7%	-
Female Management	25,5%	41%	15,5%	-
Clients	416.162	534.437	28,4%	-
Female Clients	77%	73%	-4%	-

Moreover, Kandeo continues to invest in gender diversity within its own organization, which employs 20 full-time staff members working from offices in Bogotá, Mexico City, Lima, and Miami. 30% of Kandeo's workforce are women. One out of five senior management positions are occupied by a woman. Stephany Gómez, who started out in her career as an investment analyst at Kandeo in 2013, has been acting as **Managing Director and Head of Equity** since January 2021. Together with **IDB Invest**, a member of the IDB Group which will invest in Kandeo's new private debt fund, Kandeo is currently strengthening and formalizing its gender and diversity policies and practices¹⁹.

3 Gender Equality in the Regional Context

Kandeo's efforts in promoting gender equality are situated within the social, economic, and political contexts of Colombia, Peru, and Mexico²⁰. The following context analysis highlights the challenges that need to be considered in creating the preconditions that enable women's equal opportunities for leadership at Kandeo and its portfolio companies.

In all three upper middle-income countries, a key challenge to promoting women's leadership in the first place is that less women than men actually participate in the **labour force**²¹. While female unemployment rates are more than twice that of the regional average in Colombia²², the country outperforms Peru and Mexico in terms of female representation in **managerial positions**²³. Moreover, Colombia, as well as Mexico, have a relatively narrow **gender wage gap**²⁴. However, in all three countries, women who work are more often employed in part-time²⁵ and precarious sectors and occupations, including in the informal sector²⁶, which are characterized by lower earnings,

¹⁶ Own table based on Kandeo, (2020). *Impact Report 2020*. P.61. <https://www.kandeofund.com/uploads/default/sections/1eb754bceecbd5f5fc1376dc600569ac.pdf>

¹⁷ The base is the investment year for each company.

¹⁸ Explanation: In order to adapt to new market conditions under the COVID-19 pandemic, portfolio companies reviewed their organizational structure and had to terminate or not renew some employment contracts.

¹⁹ IDB Invest, (2020). *IDB Invest leads financing to give credit to mid-sized companies in Mexico, Colombia, and Peru through the Kandeo 3D fund*. <https://www.idbinvest.org/en/news-media/idb-invest-leads-financing-give-credit-mid-sized-companies-mexico-colombia-and-peru>

²⁰ Please note that the US context, in which Kandeo operates an administrative office, is not featured in this analysis. This is because the study team has focused on Kandeo's operational work in Mexico, Peru, and Colombia.

²¹ World Bank, (2021). *Labor force participation rate, female (% of female population ages 15+)*: Mexico 46%, Colombia 56%, Peru 71%. <https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS?locations=MX>; World Bank, (2021). *Labor force participation rate, male (% of male population ages 15+)*: Mexico 78%, Colombia 80%, Peru 85%. <https://data.worldbank.org/indicator/SL.TLF.CACT.MA.ZS?locations=MX>

²² World Bank, (2020). *Unemployment, female (% of female labour force)*: Colombia 19%, Peru 7%, Mexico 4.1%, Latin America & Caribbean 9.7%. <https://data.worldbank.org/indicator/SL.UEM.TOTL.FE.NE.ZS?locations=CO-MX-PE>

²³ ILO, (2021). *SDG indicator 5.5.2: Women hold 53% of total managerial positions in Colombia; 38,5% Mexico; 34,5% Peru*. https://www.ilo.org/shinyapps/bulkexplorer2/?lang=en&segment=indicator&id=SDG_0552_OCU_RT_A

²⁴ OECD, (2018). *Gender Equality in Colombia*. Gender gap in median earnings, full-time employees, 2018 or latest: Colombia: 6% and Mexico 14%. Please note that these numbers should be read carefully. In Colombia, for instance, the rather narrow gap may be explained by the country's lower than average female participation rate and a "selecting out" of women with lower potential market earnings. <https://www.oecd-ilibrary.org/sites/99444453-en/index.html?itemId=/content/component/99444453-en>; World Bank, (2018). *Gender Gaps in Peru*: In 2015, women made around 19% less than men in hourly income. <https://openknowledge.worldbank.org/bitstream/handle/10986/31820/Gender-Gaps-in-Peru-An-Overview.pdf?sequence=1&isAllowed=y>

²⁵ World Bank, (2021). *Part-time employment, female (% of total female employment)*: 38% Latin America & Caribbean. <https://data.worldbank.org/indicator/SL.TLF.PART.FE.ZS?locations=ZJ>

²⁶ UN Women, (2021). *Informal work*. 59% of women in Latin America & Caribbean in informal employment (as a percentage of total employment). <https://interactive.unwomen.org/multimedia/infographic/changingworldofwork/en/index.htm>

poor working conditions, limited career advancement opportunities and no pension plans. Consequently, women do not only have more limited access to **financial resources**, including pensions, but also to leadership positions. Additional barriers include **entrepreneurial and financial exclusion**, as women are less likely than men to hold a financial account²⁷ or savings at a financial institution, make or receive digital payments, or own an enterprise²⁸.

In facilitating women's economic inclusion in the region, the national **legal and policy frameworks** play an important role. They affect, among others, women's mobility, workplace experiences, remuneration, parenthood, entrepreneurship opportunities, asset accumulation, and access to pensions. According to the World Bank's "Women, Business and Law Index", national frameworks are **rather progressive** in all three countries: Peru achieves almost full equality (95%), followed by Mexico (89%) and Colombia (82%)²⁹. Yet, Mexican, and Colombian laws do not mandate equal **remuneration** for work of equal value, and periods of absence from work due to childcare are not accounted for in **pension benefits**. Moreover, Mexico does not entitle mothers to **paid leave** of at least 14 weeks, the minimum leave period mandated by ILO. In Colombia, the law does not prohibit against **discrimination in access to credit** based on gender, affecting entrepreneurship of women³⁰. Private sector organisations that aim to advance women's economic empowerment, such as Kandeo, must actively address these factors, as they limit women's equal opportunities for work and leadership.

Even with rather enabling regulations in place, **decision-making power and personal agency** are fundamental to women's full and equal participation in economic, and likewise in social and political life. A key barrier in promoting gender equality globally, and hence within the private sector, are gender, social, and cultural **norms and beliefs** that shape individuals' identities, experiences, and opportunities. For instance, while roughly 90% of men and women in Peru and Colombia, and 80% in Mexico, agree that women should be able to work for pay outside the home, more men than women still believe that men have more right to a job or make better business executives than women. Moreover, only about two-thirds of women in the region decide themselves over how their earnings are used³¹. These patterns still demonstrate entrenched beliefs of a "traditional" division of labour, which expects women to prioritize **care responsibilities**³² and men their breadwinning role. Any institution seeking to promote women's career advancement, such as Kandeo, must hence counter ideas and systems of male social superiority, and heteronormativity, amongst others, as they restrict women's personal agency³³ and economic decisions in private and work contexts. For instance, more than a third of Mexican, Peruvian, and Colombian women experience **gender-based violence and harassment** in their lives despite legal criminalisation of physical and sexual violence³⁴. Consequently, creating safe work environments are one precondition that the private sector needs to provide to enable women to take on and advance in their careers.

²⁷ World Bank, (2017). *Global Financial Inclusion Database: Latin America & Caribbean (excluding high income)*: 9% women borrowed from a financial institution, 9% women saved at a financial institution, 50% women have a financial institution account, 42% women made or received digital payments, all female (% age 15+). <https://databank.worldbank.org/source/global-financial-inclusion>

²⁸ SME Finance Forum, (2021). *Number of Enterprises by Gender*: There are more than 4.132.421 total MSMEs in Mexico, of these, only around 25% enterprise owners are women. <https://www.smefinanceforum.org/data-sites/msme-finance-gap>

²⁹ World Bank, (2021). *Women, Business, and the Law*. <https://wbl.worldbank.org/en/wbl> (see Colombia, Peru, and Mexico)

³⁰ Ibid.

³¹ USAid, (2015). *2015 DHS Survey*: In Colombia, 65% of women decide themselves how their earnings are used. <https://www.statcompiler.com/en/>

³² ECLAC, (2020). Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Gender Equality Observatory for Latin America and the Caribbean, Repository on time use in Latin America and the Caribbean: In the region, women spend more than three times as many hours on unpaid care and domestic work than men. <https://oig.cepal.org/en/infographics/repository-information-time-use-latin-americaand-Caribbean>

³³ OECD, (2019). *Social Institutions & Gender Index*. Index measures discrimination against women in social institutions (0% (no discrimination) to 100% (very high discrimination)). It covers four dimensions: family, physical integrity, access to productive and financial resources and civil liberties: 15% Colombia, 25% Peru, 29% Mexico. <https://www.genderindex.org/ranking/>

³⁴ USAid, (2010). *2010 DHS Survey*: Women who experienced physical or sexual violence during their lifetime: 37% Colombia, 38% Peru, 44% Mexico. <https://www.statcompiler.com/en/>

4 Kandeo's Case: Lessons Learned on Promoting Women's Leadership

The factors that have driven Kandeo's success in promoting women's representation and leadership internally and within portfolio companies reveal important lessons for enhancing gender equality in the private sector. Good practices to counter social, political, and economic barriers to women's economic empowerment include an active investment in gender diversity, leadership buy-in to advance gender equality, male and female allyship, a supportive workplace culture as well as role models for inclusive leadership. In addition, Kandeo's case demonstrates that investors have great leverage in advancing gender equality in the private sector, and in countering the systems and structures that perpetuate inequality.

4.1 Gender-Equality, A "Win-Win-Win" Strategy³⁵

For Kandeo, based on the conducted interviews, ensuring gender equality internally and within portfolio companies is first and foremost a moral imperative. At the same time, Kandeo has realized that increased diversity in leadership leads to a boost in both social impact and financial performance in its daily work. As stated by a representative of the management team: *"Investing in women benefits the company, the economy, and society"*. A member of the ESG team also noted: *"We see that involving women in boards of directors works and hence believe that diversity works. We want to send a message inside and outside Kandeo"*. Gender equality as a win-win-win strategy that drives economic, social, and societal development is therefore driving Kandeo's commitment to enhancing women's leadership in a male-dominated societal and industry context.

Kandeo promotes the business case for gender equality: Acceso Crediticio is a financial company dedicated to financing for taxis and private vehicles in segments not served by traditional banking in Peru. Kandeo assisted Acceso Crediticio to offer female taxi drivers access to credit loans for the first time. In addition, **Acercasa**, which grants loans for mortgage and microcredit, launched its "Avanza Mujer" product to provide financing to women-owned businesses, including benefits such as coverage of credit and loss of inventory insurance.

Therefore, Kandeo aims to enhance female representation and leadership at all levels, valuing the **complementary skills and perspectives** that people from different backgrounds bring into decision-making and product development. For instance, based on its own positive experience, Kandeo promotes gender equality within its portfolio companies: By increasing female representation on boards of directors, Kandeo uses its influence in committees to, inter alia, advise on hiring decisions or to present the business case for women's economic empowerment. Regarding the latter, Kandeo assists in the creation of new financial products and services targeted at the financial inclusion of female clients. Tapping into new market segments, this yields on the one hand profits, and, on the other hand, contributes to closing the gender gap in entrepreneurial and financial inclusion, which is prevalent within the regional context.

4.2 Leadership Buy-In & Allyship

Dedicated leaders and **male allyship** are key drivers in creating gender-inclusive work environments that counter discriminatory societal norms and beliefs. At Kandeo, internal successes in promoting women's career advancement are to a large extent attributed to the buy-in and proactive support of Kandeo's CEO and Managing Partner, Eduardo Michelsen Delgado. Coming from the publishing and media industry, he was shocked about the absence of women in the finance world. *"Not seeing half of the population"* led, according to him, to biases and wrong decision-making. However, with few women entering the finance and investment field, he also realized that female talent needed to

³⁵ DEG, (2020). DEG Evaluation Results: *Women at Work. Win Win Win: Good for Business, Good for Women & their families, Good for local Development.* https://www.deginvest.de/DEG-Documents-in-English/About-us/What-is-our-impact/DEG_Gender-Lens-Investing-Paper_Final.pdf

be “*grown from within*”. An example is Kandeo’s CEO’s support to Kandeo’s current female Managing Director and Head of Equity, Stephany Gómez, who held different roles within Kandeo before being promoted into this position in 2021. In advancing in her career, she particularly highlighted the role the CEO’s “*coaching and empowerment*” played, supporting her in strengthening both hard and soft skills, exposing her to situations he could have handled himself to gain experience while showing his support publicly in male-dominated boardrooms, and promoting her to new roles. Other female employees confirm that they perceive Kandeo’s leadership as very supportive of women’s leadership and advancement. Witnessing this commitment in a still male-dominated field like finance motivates them to work at Kandeo.

Championing gender equality from the top not only requires an **open commitment** but also developing the **structures and systems** needed to advance equality in the long-term. While Kandeo’s CEO describes it as his duty to publicly show his support vis-à-vis partners to counter stereotypes, to make women visible in male-dominated boardrooms, and to provide mentorship and opportunities to female employees (“*I am a cheerleader*”), as mentioned above, he also sees the need for formalized policies to enhance women’s representation and leadership (“*I am a policeman*”).

“I am a policeman and a cheerleader.”

CEO and Managing Partner

4.3 Culture of Empowerment

Building upon buy-in from organizational leadership, **inclusive workplaces** are required to enable women and a diverse workforce overall to thrive in their careers. While Kandeo is currently working on formalizing its efforts to promote gender equality through internal policies and programs, employees consider Kandeo’s informal organizational culture a strong enabling factor for women’s career advancement. Being dedicated to promoting “*potential and performance*” indifferently of gender, leaders, and employees at Kandeo offer each other personalized peer support, which includes mentorship and training opportunities. This is exemplified by Kandeo’s efforts to help the husband of one female employee to find a suitable job opportunity so she could rotate country offices and advance in her career. Offering differentiated support that is based on contextual understandings of the challenges women face beyond the workplace, such as family and care responsibilities, is an effective way in reducing internal barriers to career advancement.

“We are a small organization, we are strengthening our policies, and we personally support each other.”

Managing Director Head of Administration & Compliance and Head of Peru

promote gender equality through internal policies and programs, employees consider Kandeo’s informal organizational culture a strong enabling factor for women’s career advancement. Being dedicated to promoting “*potential and performance*” indifferently of gender, leaders, and employees at Kandeo offer each other personalized peer support, which includes mentorship and training opportunities. This is exemplified by Kandeo’s efforts to help the husband of one female employee to find a suitable job opportunity so she could rotate country offices and advance in her career. Offering differentiated support that is based on contextual understandings of the challenges women face beyond the workplace, such as family and care responsibilities, is an effective way in reducing internal barriers to career advancement.

This internal “culture of empowerment” is also an important prerequisite for **external influence**. By creating visibility of Kandeo’s internal successes, support for women’s leadership and gender equality is promoted vis-à-vis partners and portfolio companies. Requiring the involvement of at least one woman on the board of directors in each portfolio company, Kandeo exposes outsiders to its own commitments. It thereby influences and counters gender stereotypical thinking and decision-making of male-dominated boards and the way men look at women in the industry.

“They see us as an example that works.”

Managing Director and Head of Equity

4.4 Role Models

Women in leadership positions, as highlighted above, play an important role in countering traditional **gender norms and behaviors**, especially in male-dominated contexts. Showcasing and exposing business partners to women leaders as role models effectively changes attitudes towards women in the workplace and beyond, including in leadership positions. At Kandeo, this is effectively achieved by involving at least one female leader on the board of directors of every portfolio company.

"By becoming more active in female networks but also in interactions with men, women in leadership positions like myself can have an impact."

Managing Director and Head of Equity

"Kandeo was attractive to me because I liked the idea of being able to reach a managing position."

Operations ESG Analyst

Moreover, the visibility and actions of female role models attract and help form the **next generation** of leaders. Seeing women work in leadership positions at Kandeo as well as learning about Kandeo's commitment to promoting career advancement has attracted female talent and is raising career aspirations of women in seeking job opportunities in the industry. In this regard, not only the presence but also the active support of female role models, as well as positive attitudes towards women in the workplace, help grow confidence, inspire, and encourage exchange on career advice both in private and professional settings.

4.5 Going Beyond Representation: Tackling Structural Barriers

As Kandeo's case demonstrates, leadership buy-in, allyship, an empowering culture, and role modeling are crucial enabling factors to enhance women's representation and leadership. Yet, the company recognizes that in order to enable a transformative impact on gender equality, efforts of the private sector need to go beyond representation of women, but also tackle persisting **structural barriers** that perpetuate gender inequality.

For instance, at Kandeo, it was recognized that women require support to overcome **societal and industry barriers**. As women often carry most of the care and domestic responsibilities, for them the challenge of reconciling work and family life persists and creates barriers. As different interviewees highlighted, it is more difficult for women with children or other **care and domestic responsibilities** to have a career in the industry: *"Women understand that when they become pregnant, their career is over"* and *"we have flexible working hours, but we cannot disconnect completely from work, so this [job/industry] is not that attractive for women who want to have a family"*. The perceived *"mismatch of supply and demand of women"*, as Kandeo's CEO framed it, partly relates to this societal barrier. In addition, interviewees considered it not uncommon for women's careers to be secondary to the studies and work of their partners. Even if in higher education, women less frequently enter the science, technology, engineering, mathematics (STEM) field. Furthermore, in the industry, (young) women in leadership positions at Kandeo mentioned that they face **biases and stereotypes** in professional interactions with partners and portfolio companies: *"In the industry, I have not felt as equal, I was frustrated"* and *"male partners often do not treat female leaders with the due acceptance and respect"*. This renders the male-dominated finance and investment sector less attractive.

These examples emphasize the importance of addressing structural barriers that arise from **gender norms** in the respective society and influence women's time, access to education as well as safety and well-being. Consequently, a nuanced understanding of these factors and *how* they affect *which* women can access careers and career advancement is crucial to develop appropriate policies and actions that tackle root causes of gender inequality. Beyond counting women in leadership, this means for companies like Kandeo, to actively strengthen awareness in and outside the company for gender bias, provide targeted training for women in the industry and provide comprehensive support to care responsibilities (e.g., funding care support, encouraging parental leave for men and women).

4.6 Investor Influence

Gender in the Investment Cycle: During due diligence, Kandeo assesses its investments' performance in terms of gender based on four specific indicators that are integrated into its ESG questionnaire. These serve as a basis for negotiating actions for improvement at the beginning of an investment. During the first 100 days, Kandeo's ESG team then **monitors and works closely** with the new company to provide guidance and ensure actions are being implemented successfully. Where needed, Kandeo also enrolls companies in formal trainings to acquire the skills to implement actions.

Investors, through their **strategies and expertise**, play an important role in driving gender equality within the private sector by influencing the efforts of their portfolio. Kandeo's strategy vis-à-vis its portfolio companies and its engagement with its own investors emphasize these levers. First, Kandeo positively drives impact within **portfolio companies** by:

- **Acting as a role model**, communicating and, in board meetings, living its internal commitment to gender equality.
- Being able to showcase own **good practices** by having at least one woman on each board of directors, thereby
- **Influencing board and committee decisions**, such as on hiring practices and product development.
- **Integrating gender equality measures in the investment cycle**, e.g., by tracking four indicators as part of the ESG strategy, namely the percentage of female board members, managers, employees, and clients (see box on the left).

An example to be highlighted of Kandeo's strategy vis-à-vis its portfolio companies is the fund's engagement with a former portfolio company, a Colombian business operating in the leasing industry. Since the entry of Kandeo in 2016 up until the selling of Kandeo's capital participation in March 2021, the proportion of women in management positions had increased significantly from 12.5% to 66.7%. As of December 2020, the general manager is a woman, and four out of six managers reporting directly to general management are female. In addition, 59.6% of employees are women³⁶. As interviewees at the former portfolio company confirmed, Kandeo's active engagement in the Board of Directors initiated these substantive changes: In particular, the former portfolio company's female CEO valued the extensive coaching of Kandeo's team, which involved helping her showcasing and role modeling her leadership, e.g., via social media, and the opportunity to enroll in a leadership training at Georgetown University to help improve her leadership skills. By bringing in a strategic approach and indicators to track gender equality at this former portfolio company, Kandeo also initiated the hiring of more men in the formally female-dominated workforce to balance gender equality.

Second, Kandeo itself benefits from its own investors' **technical assistance**: IDB Invest is currently supporting Kandeo to strengthen and formalize its gender inclusion and diversity efforts. Based on an initial assessment, Kandeo's CEO and Head of Administration have recently started to implement Kandeo's action plan by signing and internally communicating Kandeo's membership of the United Nations' "Women's Empowerment Principles". As a second step, Kandeo is currently working on formalizing its Human Resources and anti-discrimination and violence prevention policies, as well as on including a more diverse talent base in its internship program³⁷. IDB Invest has also enrolled Kandeo's ESG team in a course to effectively design financial products for women³⁸.

"Structures, rules, and requirements of investors shape [investees] deeply. We could even say: Not being gender equal is a lack of responsibility with the investors."

Kandeo's CEO and Managing Partner

³⁶ Kandeo, (2020). *Impact Report 2020*. <https://www.kandeofund.com/uploads/default/sections/1eb754bceecbd5f5fc1376dc600569ac.pdf>

³⁷ IDB Invest, (2021). *Estrategiade Diversidad e Inclusión para Kandeo*. Reunión de Arranque.; IDB Invest. Asesoría Técnica. (2021). *Paso 3: Midiendo las brechas de género*. Internal Documents.

³⁸ See: Financial Alliance for Women's „All Star Academy“: <https://financialallianceforwomen.org/all-stars-academy/explore-the-course/>

5 An Investor's Guide to Transformative Women's Leadership

Based on Kandeo's good practices and identified challenges for the way forward in promoting women's career advancement and leadership, the following recommendations can be made to investors and private sector companies at organizational and investment cycle levels:

5.1 Organizational Level



Leadership

- ✓ **Institutionalize:** Ensure sustainability of efforts by institutionalizing leadership commitments, e.g., by signing and communicating international standards such as the Women's Empowerment Principles, creating mentorship programs and other internal support networks, as well as policies of non-discrimination and equal opportunity.
- ✓ **Communicate:** Identify external communication channels to engage with partners and clients on women's leadership, and to present commitments, good practices, and assistance options.
- ✓ **Promote:** Identify and attend events/networks to foster exchange and networking on women's leadership. Dedicate the necessary time and resources of internal role models to be engaged and establish contacts.



Well-Being, Safety & Work Environments

- ✓ **Sensitize:** Raise awareness among staff and leaders for challenges to women's career advancement and leadership, including structural barriers. Provide room for self-reflection and advice on "allyship and gatekeeping", e.g., through gender bias trainings.
- ✓ **Back:** Create safe work environments and equal opportunities by preventing discrimination and gender-based violence and harassment through policies and mechanisms, and by providing spaces and pathways to report and reflect on experiences, including professional support.



Training & Development

- ✓ **Diversify:** Strengthen and tap into more diverse talent pools, e.g., by partnering with universities and presenting Kandeo as an institution and its efforts in supporting career advancement at job fairs.
- ✓ **Train:** Provide specific career development opportunities to (future) female employees, either internally or through university programs (such as leadership trainings).
- ✓ **Educate:** Raise awareness and promote leadership styles that do not comply with male-dominated norms and standards.
- ✓ **Inform:** Set up and communicate specific support that can help women to overcome societal and contextual challenges to advance in their careers, such as flexible work environments, or extended parental leave for women and men beyond legal requirements.



Measure & Monitor

- ✓ **Measure:** Establish indicators to track progress on women's economic empowerment for steering, e.g., gender-disaggregated indicators measuring promotion rates, training hours, absences, and wage development.

5.2 Investment Cycle



Setting Requirements & Impact Measures -----

- ✓ **Assist:** Establish and support action for improvement on diversity and inclusion requirements and criteria for investments to promote gender equality, e.g., % of females on boards or % of loans to be given to female client.
- ✓ **Leverage:** Prioritize governance influence by strategically engaging in boards and committees of portfolio investments to direct operations.
- ✓ **Recognize:** Consider not only formal commitment to gender equality of portfolio investments, but pay attention to informal efforts, such as inclusive culture and leadership buy-in.



Networks, Platforms & Community -----

- ✓ **Inform:** Communicate good practices and women's leadership as a resource to boost performance by developing external communication tools (data, good practices, success stories).
- ✓ **Share:** Promote knowledge transfer and join forces, e.g., by creating working groups and networks among investors and women in leadership positions.
- ✓ **Support:** Provide resources and knowledge, e.g., by setting up a platform that collects good practices, maps stakeholders, refers to talent pools, specific expertise, trainings, networks, and events for both investors and women in leadership to get engaged.
- ✓ **Incentivize:** Create incentives and events to exchange and invest in women's leadership, such as awards or "investor days" to speak about gender equality.



Technical Assistance -----

Assist the formalization of diversity and inclusion efforts by providing **input** on strategy, policies, action plans, and especially ESG frameworks, monitoring, and indicators:

- ✓ **Develop:** Establish strategies that cover the whole investment cycle, including exit for sustainability.
- ✓ **Train:** Provide coaching and leadership as well as gender bias trainings to management, women in leadership positions, and all other staff.
- ✓ **Create:** Support more creative, tailored product development for women, e.g., by enrolling clients in respective courses or networks such as All Stars Academy.

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