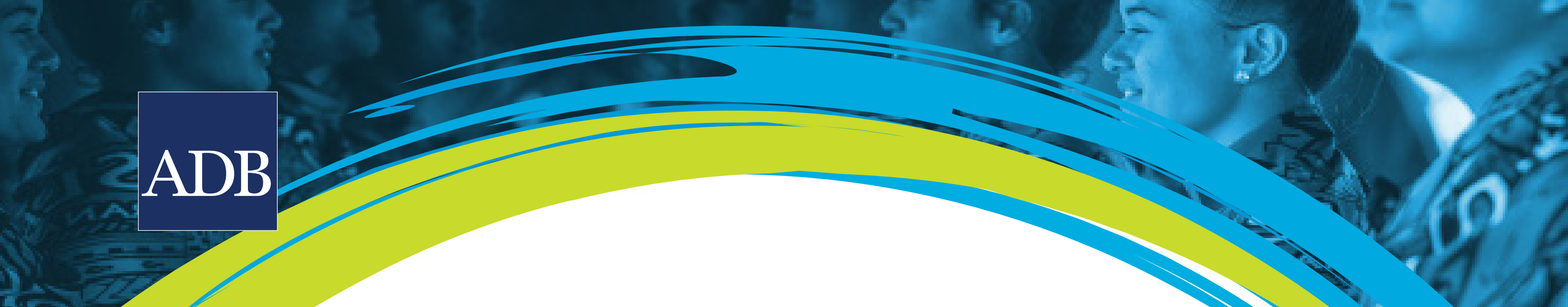

SUSTAINABLE FINANCE BENEFITS FROM A GENDER LENS

Of the 1.3 billion people living in poverty, 70% are women, most of whom depend on natural resources for their livelihood.[1] Yet, they face difficulties in accessing finance or participating in decision-making related to climate mitigation and adaptation measures.[2] Globally, women entrepreneurs face an estimated capital gap of over $1.46 trillion.[3]

- Growing evidence suggests that investing in women makes economic sense (footnote 2). Compared to men, women borrowers have 1%–3% lower default rates in almost all loan product categories. Women entrepreneurs are more likely to factor in climate considerations in their business decisions, such as taking steps to strengthen the resilience of their assets or to enjoy benefits of using cleaner energy solutions that promote energy savings.[4] Yet, 1 billion women lack access to financial products globally.[5]

The majority (60%) of micro, small, and medium-sized enterprises in Asia and the Pacific are women-led businesses. However, they often face difficulties getting loans as climate finance providers prefer investing in large scale projects.

- The 2015 Paris Agreement calls for gender equality and women's empowerment when tackling climate change, reducing emissions and physical climate risks. Sustainable finance considers the differentiated needs, knowledge, experiences, and priorities of women to address the gender dimensions of climate change and environmental degradation. Financial institutions can, therefore, play a crucial role in addressing social inequalities and in investing in women-led initiatives.

Integrating a Gender Lens in Sustainable Finance

Various financial institutions have noticed the benefit of working with women. However, to be effective, a gender lens in sustainable finance is ideally incorporated in financial institutions' corporate strategies, management processes, and risk management procedures; and by designing specific products and alternate forms of collateral to increase women's participation in green finance that will allow them to save for potential disasters.

Strategy. Integrate a gender lens and consider climate- and environment-related risks in the financial institutions' strategy and operations (Table 1).

Table 1: Integrating Climate- and Environment-Related Risk Preparedness with a Gender Lens

Category	Action
Corporate strategy	Reflect climate- and environment-related risk exposure, integrate gender-responsive targets, and facilitate a just transition
Governance	Establish responsibilities that will enable the conduct of climate- and environment-related risk management and provide resources for the design of gender-responsive products and services
Products and processes, including risk management	Integrate (i) processes to manage climate- and environment-related financial risk exposure, including gender-sensitive data; and (ii) tailored products and services
Metrics and disclosure	Define, monitor, and disclose relevant gender-sensitive indicators, including greenhouse gas emissions (savings), climate risks, and other environment-related risks

Note: This is nonexhaustive.
Source: Task Force on Climate-Related Financial Disclosure. 2017.

[1] B. Osman-Elasha. 2012. In the Shadow of Climate Change. *UN Chronicle*. 46(4). Geneva: United Nations.
[2] G. Garzon de la Roza, and Valko Celestino, A. 2022. How Providing Sustainable Finance to More Women Helps Fight Climate Change. ADB Blogs. 3 October.
[3] N. Katoch, Satterly, A., Valko Celestino, A. 2021. Unlocking Private Investment to Drive Positive Change for Women in Asia and the Pacific. ADB Blogs. 9 March.
[4] Women's World Banking. 2020. *Fostering Greater Resilience for Low-Income Women: The State of Financial Inclusion During COVID-19.*
[5] ADB. 2019. New We-Fi Financing to Enhance ADB's Support for Women-Led SMEs in Viet Nam and Pacific. News Release. 13 May.

Processes. Incorporate gender-sensitive metrics into the financial analysis and sustainability selection criteria at loan origination and portfolio management to enhance risk management. For instance, gender considerations could be integrated into the eligibility criteria of the use of type of credit instruments.[6]

Product development. Ensure sustainable and gender-considerate criteria, including technology—for credit products, remittances, climate risk insurance, and savings products—to help mitigate climate risks. For example, offering women business owners with long-term debt financing for technologies that strengthen climate resilience and increase efficiency would be an excellent starting point. Product design should address gender-specific barriers (Tables 2 and 3).

Table 2: Features to Consider in Designing Credit Products for Women

Gender Barriers	Potential Product
• Lack of assets for collateral and lack of a credit track record	• Use of alternative forms of collateral, such as assets to be financed
• Lack of formal identification and inability to supply proof of identity for the Know Your Customer requirement	• Flexible documentary requirements and guidance
• Inappropriate product design that does not address women's needs	• Repayment terms based on the cash flow of women and the impact of disasters on the cash flow
• Reduced mobility due to time constraints or social norms	• Quick disbursal with option to release to women's e-wallet

Source: ADB. 2022. *Financial Instruments to Strengthen Women's Economic Resilience to Climate Change and Disaster Risks.* Manila.

Table 3: Features of Tailored Savings Plans to Prepare for Disasters

Gender Barriers	Potential Product
• Lack of bargaining power within the household • Inability to fend off demands from family members	• Must be to a specific commitment goal, i.e., withdrawable only when the goal is met
• Concentration on lower-paying economic activities. • Lack of formal identification	• Require a small amount and flexible and minimal documents for opening an account
• Competing demands on women's time • Reduced mobility due to time constraints or social norms	• For digital savings, cash-in, cash-out modes should be available via channels that are accessible for women (e.g., convenience stores, rural agents, and others).
• Low utility perception of a savings account	• Include training program for women savers to enhance awareness
• Affordability	• Waive or reduce the fees and charges

Source: ADB. 2022. *Financial Instruments to Strengthen Women's Economic Resilience to Climate Change and Disaster Risks.* Manila.

- **Data and analytics.** Collect sex-disaggregated data during the initial due diligence process and monitor these throughout implementation.[7] This will enable financial institutions to increase accountability and transparency while reinforcing the business case for gender-inclusive sustainable finance.

[6] Fair Finance Asia. 2022 Strengthen Financial Due Diligence to Protect Women's Rights in ASEAN, Fair Finance Asia Urges. Press Release. 21 October.

[7] ICMA, International Finance Corporation, and UN Women. 2021. *Bonds to Bridge the Gender Gap: A Practitioner's Guide to Using Sustainable Debt for Gender Equality.* Zurich.

Growing Interest in Sustainable Finance with a Gender Lens

In recent years, the number of sustainable finance instruments, such as green, social, and sustainability bonds, has been increasing. The growing interest of investors in these instruments highlights the opportunity for scaling up gender lens investing in Asia and the Pacific.

The following are examples of sustainable finance with a gender lens in Asia and the Pacific.

- The Asian Development Bank (ADB)-financed India Infoline Finance Limited (IIFL) Supporting Access to Affordable Green Housing for Women Project in India provides housing loans to women from economically weaker sections and low-income groups. IIFL Home Finance Limited encourages female property ownership by offering a special incentivized interest rate if a property is purchased by a female borrower or co-borrower. The company also developed a digital application with a rule engine that makes one female applicant mandatory.

- The ADB-assisted Bank of Qingdao Blue Finance Project is a blue loan supporting marine environment protection and sustainable blue economies in the People's Republic of China. The project aims to increase women's access to blue finance through targeted outreach and by introducing a gender lens to Bank of Qingdao's lending, including training loan officers on how to better serve women borrowers.

- The ADB-financed Ping An Leasing Micro, Small, and Medium-Sized Enterprises Energy Efficiency Improvement Project funded the lease of energy-efficient equipment to micro, small, and medium-sized enterprises (MSMEs), especially those owned by women, in the People's Republic of China. Leasing makes energy-efficient equipment more accessible for women's MSMEs because it does not require additional collateral. It also entails lower payments than financing, which is more compatible with smaller businesses that women tend to own.

- The Joint Stock Company Microfinance Organization Crystal (Crystal)-issued gender bond worth GEL25 million (around $9.5 million) will finance women-owned MSMEs in Georgia. The proceeds will support women entrepreneurs with sustainable finance, including climate-change loans to purchase small energy-efficient and renewable energy equipment.

The Social Bond Principles define gender equality as "equitable access to and control over assets, services, resources, and opportunities; equitable participation; and integration into the market and society, including the reduction of income inequality."

Guidance and Tools for Financial Institutions to Accelerate Gender Equality

Several guidance notes and tools are available to enable financial institutions to track the gender impact of their investments, encourage them to integrate gender targets in overall commitments to climate change, and help them assess women's economic empowerment and gender equality in businesses. Some of these guidance and tools include:

- Tip Sheet for Accelerating Gender Equality in the Finance Sector
- Tip Sheet for Accelerating Gender Equality in the Renewable Energy Sector
- Guidance on Gender Equality Target Setting
- UNEP FI Portfolio Impact Analysis Tool
- 2X Global Gender and Climate Finance Toolkit
- The 2X Challenge – Financing for Women provides a set of gender-relevant indicators.
- The Social Bond Principles, the Sustainability Bond Guidelines, and the Sustainability-linked Bond Principles provide guidance for capital market issuers, in addition to the frameworks used in the Social Loan Principles and the Sustainability-linked Loan Principles.

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