Opinion of the European Economic and Social Committee on 'Gender lens investing as a way to improve gender equality in the European Union'

(Own initiative opinion)

(2023/C 100/03)

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1. **Conclusions and recommendations**

1.1. The EESC strongly believes that with the collaboration of men and women, and by creating a fertile ground for women entrepreneurship and the adequate financial and legislative instruments, such as gender budgeting, we can create an inclusive financial ecosystem in the EU and Member States and advance faster towards gender equality.

1.2. Data, impact assessments and common indicators are essential to gender mainstreaming. Data and indicators from Member States and among institutions at EU level require harmonisation in order to be instrumental in addressing the gender gap. The EESC stresses that the EU should collect gender-disaggregated data in the European context of investments and integrate them into the annual Gender Equality Index.

1.3. So as to accelerate the future growth of female entrepreneurship, it is worth investigating the role of business angels, seed investments and the 'circle of giving back'.

1.4. The EESC strongly believes that by improving the position of women in receiving funds, there will be a positive 'trickledown effect' that leads to better financial and social outcomes.

1.5. In order to create a fertile ground for female entrepreneurship, the EESC finds it important to provide women with more networking and training opportunities and mentoring programmes. In addition to this, the EESC stresses the importance of education in challenging gender stereotypes, including the stereotypical ideas of male entrepreneurs and in building an entrepreneurial culture that prepares women to think big.

1.6. The EESC recommends that Member States provide access to maternity benefits and parental leave options for female entrepreneurs in line with the principles set out in the Council Recommendation on access to social protection for workers and the self-employed.

1.7. The EESC stresses that Member States should start to get girls interested in the STEM fields at an early stage, to support women entrepreneurs and female role models in these sectors and invest in programs to make girls in high school interested in STEM.

1.8. The EESC recommends the gender mainstreaming of the Social Economy Action Plan by providing targeted actions for women and keeping a gender perspective as a criterion when it comes to the allocation of EU and national funds and in public procurement so as to promote and retain female talent in the labour market.

1.9. The EESC suggests that diversity of teams with a specific focus on women should be a criterion for receiving public funding. It is important to set specific standards so as to avoid 'pinkwashing' ([1]).

1.10. The EESC recommends that in the medium term all European authorities and Member States should use gender budgeting tools at all levels of the budgetary process. The participation of civil society and social dialogue are also crucial in order to detect the areas that need to be addressed through the budget.

1.11. Unconscious biases in the financial sector persist, so awareness campaigns and unconscious bias training for investors and juries is important. In addition to this, the EESC considers that all juries of European financial institutions should achieve gender balance as soon as possible to avoid homophily or 'similar attracts similar' bias, and also receive training on unconscious bias.

1.12. The EESC suggests that the EC publishes a gender impact assessment of the annual EU budget and present this as an annexed document, create a task force to participate in the negotiations and to align and include gender mainstreaming EU objectives in the next MFF (2028-2034) and in the mid-term review of the current MFF (2021-2027) ([2]).

1.13. The EESC calls for EU funds to be made more accessible to women's organisations by simplifying procedures and providing grants for their core activity.

1.14. The EESC finally calls for an ambitious vision from the European Commission and the European institutions on gender budgeting and gender lens investing, including concrete targets on women receiving funding, concrete KPIs, legislation, updated criteria and (intensified) programmes on improving female entrepreneurship and access to finance (e.g., dedicated grants for women, dedicated limited partner funding for women-owned and co-owned funds, loan guarantees or microfinance, co-investment platforms, gender bonds or microcredits).

2. **General comments**

2.1. Gender mainstreaming is a core objective of the European Union (EU), in compliance with both Article 2 of the Treaty on European Union and Article 8 of the Treaty of the Functioning of the European Union. Despite these legal obligations to ensure equality between women and men, progress on effective gender mainstreaming, particularly with regards to finance and budgets, has been slow.

2.2. This opinion wants to emphasise the challenges and opportunities of entrepreneurship, public and private investments and budgeting in relation to gender equality and call for an ambitious vision from the European Institutions and Member States on gender lens investing and gender budgeting. This focus will have a positive impact on the achievement of the Sustainable Development Goals on achieving gender equality (SDG5) and reducing inequalities (SDG10). It is also important to acknowledge that in order to achieve gender equality we need collaboration from both women and men in promoting equality.

([1]) By pinkwashing we mean pretending to be very active in gender equality but in reality lagging behind, (comparable to the term greenwashing in sustainability).

([2]) D'Alfonso, A. (2021). Multiannual financial framework for the years 2021 to 2027 (europa.eu) (EPRS briefing; PE 637.979). European Parliamentary Research Service. *The European Commission proposed a compulsory mid-term review of the functioning of the MFF, to be carried out by December 2023*, p 8.

2.3. According to the European Commission, women represent roughly 52 % of the overall population in Europe, but constitute 34,4 % of the self-employed and 30 % of start-up entrepreneurs ([3]).

2.4. All-male founded teams receive almost 92 % of all venture capital invested in Europe. As regards funding, in early stages only 1 % of funding goes to female-led companies, and it never rises to more than 30 % in later stages, even though teams with female founders and mixed-gender teams are found to outperform their male counterparts ([4]) ([5]) ([6]) ([7]).

2.5. In March 2017, the OECD reported that women are less likely than men to report that they can access the financing needed to start a business in all countries except for the United States, Mexico, Greece and Indonesia. This gender gap can be associated with women having lower levels of experience, operating in highly competitive and low-growth sectors, as well as gender-biased credit scoring and gender stereotyping in investment evaluations. Women are also often hindered by less access to basic financial services (e.g. checking and savings accounts) ([8]). Furthermore, self-employed women are more likely than self-employed men to be discouraged borrowers.

2.6. According to the European Commission's Gender Equality Strategy 2020-2025, only one in ten decision-makers at venture capital (VC) and private equity firms are female, even though some private funds identified as operating with a gender focus have 72 % female partners. Findings indicated that, on average, 85 % of VC general partners are men and just 15 % are women. If women are partners, they tend to be partners of smaller funds.

2.7. The COVID-19 pandemic has widened gender and economic inequalities. In social and economic aspects, there is a clear distinction on how the coronavirus has had an impact on different genders. The COVID-19 pandemic has also had an impact on women's access to finance. While European figures are missing, the United States even faced a widening of the already existing gender gap in venture capital funding for women-led start-ups ([9]).

2.8. Globally, awareness of gender lens investing continues to gain momentum. The European investment ecosystem for women entrepreneurs and founders is however still fragmented and lacks a systemic and strategic gender focus ([10]). Specific gender equality funds are scarce, and these initiatives fail to attract more women entrepreneurs. Around 50 % of funding in the European Union consists of taxpayers' money. A collective effort on an EU level creating a more gender-nuanced and equal financing ecosystem, along with accompaniment throughout the entire process of creating a business, can bring consensus and help overcome the obstacles towards change.

2.9. When we talk about gender lens investing, we need to be aware of all the intersections with other inequalities that influence access to finance even further, like women with a disability, women with low socioeconomic status, young women, women with a migration background, or the intersection with sexual orientation, race, etc.

([3]) https://www.eib.org/attachments/thematic/why_are_women_entrepreneurs_missing_out_on_funding_en.pdf.
([4]) Eurostat and European Commission. The State of European Tech 2020; Atomico (2020).
([5]) Why are women entrepreneurs missing out on funding? Reflections and considerations — Executive summary (eib.org).
([6]) Funding women entrepreneurs: How to empower growth, 2020.
([7]) https://europeanwomeninvc.idcinteractive.net/8/.
([8]) COSME Programme Call for Proposals Encouraging community building around the issue of women entrepreneurship — Management and running of the WEgate platform.
([9]) Women-Led Startups Received Just 2,3% of VC Funding in 2020 (hbr.org).
([10]) UN Women (2021) Investment with a gender lens in Europe.

3. **Specific comments**

3.1. The EESC strongly believes that by improving the position of women in receiving funds, there will be a positive ‘trickledown effect’ that leads to better financial and social outcomes. When women venture capitalists do make the decisions, they are twice as likely to invest in female founding teams, thus increasing women employment. Start-ups with a female founder fill their staff with 2,5 times more women. Companies with a female founder and a female executive hire six times more women ([11]).

3.2. Data collection is paramount so as to evaluate the current situation and design strategies to move forward. In spite of the effort in this respect, the EC, the Council, the OECD, EuroStat and EIGE collect data about several gender aspects, but they require harmonisation in order to be instrumental in addressing the gender gap. The collection of relevant data needs to be mandatory for Member States. The methodologies and metrics used should be brought together to create a holistic view and be able to use additional data (social bias, ethnicity bias, intersectionality bias, etc.) to allow monitoring and evaluation of progress and policies. In addition, more regular and improved analytical studies need to be conducted. The EESC stresses that the EU should collect gender-disaggregated data in the European context of investments and integrate them into the annual Gender Equality Index.

3.3. Equally important is to take a look at the ticket size (the amount of money invested), and the role of business angels and seed investments. Also worth researching is the ‘circle of giving back’: women who are invested in, grow and start to grow investment capital of their own and become angel investors themselves. This could be a positive accelerator for future growth of female entrepreneurship and could be increased through targeted promotion campaigns, aimed at increasing overall understanding of the opportunities and contributions angel investors can make, combined with information on how to start. Member States could also investigate tax breaks to support this.

3.4. The EESC considers that gender mainstreaming in the EU will be achieved by actively promoting gender equality in all policy-making and decision making, including social and cohesion policies and EU competition policy — and in spending the EU budget. The necessary prerequisites and effective monitoring during implementation, in order to correct policy actions if necessary, are still missing. Since we know that effects of the COVID-19 pandemic are not gender-neutral, the EESC reiterates its call to policymakers at all levels to follow the principle of gender mainstreaming and include the gender equality aspect in all decisions, including those on budgeting, investment and funding and public procurement. This also includes the MFF 2021-27 budget cycle and in the Recovery and Resilience Plans, and should include gender impact assessments, proper binding indicators, and also monitoring and evaluation systems ([12]).

3.5. A recent report of the European Court of Auditors states that the Commission paid little attention to the gender analysis of the policies and programmes they examined. It made limited use of gender-disaggregated data and indicators, and published little information on the EU budget’s overall impact on gender equality. However, in areas where legal requirements were set out in detail, this facilitated the incorporation of gender equality into programmes.

4. **Concrete actions**

4.1. *Create a fertile ground for female entrepreneurs*

4.1.1. In order to create a fertile ground for female entrepreneurship, the EESC finds it important to provide women with more networking and training opportunities and mentoring programmes. It is crucial that women develop an ‘old girls’ network’ next to the existing ‘old boys’ network’, because women tend to have smaller, less diverse networks. Role models and mentors also play an important role: in a study in Italy, 70 % of girls said they felt differently about their future after meeting a role model.

([11]) https://www.kauffmanfellows.org/journal_posts/women-vcs-invest-in-up-to-2x-more-female-founders.
([12]) Opinion of the European Economic and Social Committee ‘on Gender-based investments in national recovery and resilience plans’ (OJ C 100, 16.3.2023, p. 8).

4.1.2. Stereotypical ideas about entrepreneurship start as early as in primary education. The EESC stresses the importance of education in challenging gender stereotypes, including the stereotypical ideas of male entrepreneurs and in building an entrepreneurial culture that prepares women to think big. Negative social connotations surrounding women entrepreneurs and executives still exist in Europe. Also, schools play a vital role in financial and entrepreneurial capacity building, and these skills should be included in school curricula starting in primary education and being reinforced and developed throughout the school system. Entrepreneurial fairs and other programs where women could gain access to seed money and with, for example, a girls in science approach would be a good way to encourage female entrepreneurship from an early stage.

4.1.3. The 'impostor syndrome' describes the phenomenon where people doubt their abilities and feel they are not good enough at what they do. This syndrome exists on a wide scale among women entrepreneurs. Working on women's capacities and self-esteem all throughout education will reduce the phenomenon and will open more perspectives for women's development ([13]).

4.1.4. To a large extent, the time poverty that women currently experience due to unpaid care responsibilities is a barrier to entrepreneurship. Cultural changes, such as co-responsibility among the partners when it comes to running the household and taking care of children and others, in combination with systemic measures such as affordable or free child and elderly care, are key. The EESC recommends that Member States provide access to maternity benefits and parental leave measures for female entrepreneurs in line with the principles set out in the Council Recommendation on access to social protection for workers and the self-employed ([14]) ([15]).

4.1.5. Entrepreneurship training programs that target women tend to focus on markets and sectors in which women are already well represented. There are sectors where numbers of women entrepreneurs are severely lacking, such as in high-tech and science, technology, engineering and mathematics (STEM) fields. The EESC stresses that Member States should begin to get girls interested in these fields at an early stage, to support women entrepreneurs and female role models in these sectors and invest in programs to make girls in high school interested in STEM.

4.1.6. The current gender imbalance in the labour market is also an obstacle for women's future endeavours. Women face fewer opportunities to acquire the proper managerial and entrepreneurial training and savings to start their business. For young women there are therefore more barriers to starting a business. Also, the gender pay gap or the absence of fair pay may limit their financial resources. Since a lot of funding opportunities require a private initial investment by the entrepreneur, the EESC believes that closing the gender pay gap and fixing the gender imbalance in the labour market will have a positive effect on women's entrepreneurship.

4.1.7. Women are more prone to start a business in sustainable and social areas in order to make a measurable positive impact on society and to run a social start-up ([16]) ([17]). Companies operating in the frame of the social economy put at the centre of their activity the economic and social needs of the communities and their workers, as well as environmental sustainability. They invest in wellbeing and put values at the core of their business. Therefore increasing the financing of social economy projects and promoting the creation of social enterprise ecosystems will have a positive impact on women's economic emancipation and development. Likewise, the promotion of female entrepreneurship will boost the growth of social enterprises. The European Commission's Social Economy Action Plan notes that *the prevalence of female entrepreneurs is higher in social entrepreneurship than in conventional entrepreneurship*. However, there are no targeted actions to boost women's entrepreneurship, including social entrepreneurship. The EESC recommends the gender mainstreaming of the Social Economy Action Plan ([18]) by providing targeted actions for women.

([13]) Opinion of the European Economic and Social Committee on gender equality (Exploratory opinion at the request of the Czech Presidency) (OJ C 443, 22.11.2022, p. 63).

([14]) Directive (EU) 2019/1158 of the European Parliament and of the Council of 20 June 2019 on work-life balance for parents and carers and repealing Council Directive 2010/18/EU (OJ L 188, 12.7.2019, p. 79).

([15]) Council Recommendation on access to social protection for workers and the self-employed, adopted 8 November 2019.

([16]) The Value of Investing in Female Founders (Forbes, 2019).

([17]) According to S&P Global, which polled investors in 11 countries.

([18]) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Building an economy that works for people: an action plan for the social economy (COM(2021) 778 final).

4.2. *Create change within the financial and investment sector*

4.2.1. The EU should play a leading role in creating the fertile ground for a gender conscious ecosystem. Four EU countries accounted for the majority of Series C funding for women-led companies between 2006-2018 in Europe: Sweden, Germany, Spain and France. Success in the top countries was supported by a strong ecosystem and targeted activities to promote gender inclusion ([19]). The EESC recommends developing a European network of gender conscious investors that can share best practices and promote the opportunities already in place with respect to financing for women's entrepreneurship. The *Investing in Women Code* of the British Business Bank, a commitment by financial services firms to improve female entrepreneurs' access to tools, resources and finance, could be an inspiration for engaging with the private sector ([20]).

4.2.2. Around one in ten decision makers in Venture Capital and Private Equity are female. Attracting female talent and improving female career development within the financial and investment sector is needed to change the current masculine culture, which makes it unattractive for women to stay or start in this sector, into an inclusive culture. This culture should also measure return of investment not only by economic reports, but also by the sustainability and social returns of their investment. Therefore, the EESC would like to see diversity of management and founders' teams becoming one of the main criteria for receiving public funding, including public pension funds, and by doing so inspire recruitment and retention of female talent in the financial and investment sector. The EESC also suggests that Member States exchange best practices on methods for promoting diversity of teams and women-led teams in the finance sector. An investor seal of excellence or standard in the investment sector should be developed. A standard could serve as one of the criteria when applying for public funding ([21]). A standard, compared to a one-off pledge could be audited and annually reviewed to avoid 'pinkwashing'.

4.2.3. The EESC recommends that institutions in the private financial sector be given access to technical assistance and training about gender lens investing, provided by the European Union or Member States.

4.2.4. There is a general assumption that women tend to be more risk-averse than men, more cautious and exhibit a less-aggressive competitive behaviour. The EESC suggests reflecting this lower-risk behaviour in the financial instruments and building specific products for certain low risk projects that require fewer guarantees and lower interest rates to grant a loan or cover a higher percentage of the initial capital when granting a subsidy.

Biases persist in the financial sector, most often unconscious ones, for example where there is a preference towards pitches presented by men or where the content written by women focuses on social impact, while men are more focused on finance and numbers. Awareness campaigns and unconscious bias training for investors and juries can be of extreme importance to raise awareness of these biases. Also crucial is awareness raising within the sector of the importance of solid and resilient business models that grow slowly but firmly, rather than a focus on fast short-term revenue growth and valuation.

4.3. *Gender Budgeting and Gender Lens Investing through public funding*

4.3.1. Budgets mirror political priorities and are the most important economic policy instrument for transforming societies. Public policies play an important role in leading the way and creating an enabling environment for investors, and by doing this create decent jobs. It has long been acknowledged that gender budgeting, targeted funding for women's empowerment, the earmarking of budgets and the regulation of gender-responsive public procurement procedures and processes as a means of implementing gender budgeting, are all necessary tools for achieving gender equality.

([19]) Funding Women Entrepreneurs Through MFF 2021-2027 EU Parliament hearing Women & Investment – April 19, 2021.
([20]) https://www.british-business-bank.co.uk/investing-in-women-code/.
([21]) A good example is the Diversity VC standard now used across the EU and US: www.diversity.vc.

4.3.2. Gender budgeting is a process through which public budgets are examined in order to assess whether they contribute to more equality between women and men, and reshaped accordingly to make sure that they do. Gender budgeting requires a twin-track or dual approach: mainstreaming gender equality in all budgets and programs and specific targeted funding to address the root causes of gender inequality. The gender dimension should be integrated into all phases of the budgetary cycle, from budgetary proposals (*ex ante*) and throughout the spending itself (ex nunc) to the evaluation and control of the money actually spent (*ex post*). Data, impact assessments and common indicators are essential to gender mainstreaming across the budgetary cycle: planning, implementation, monitoring and evaluation. Even though it can be difficult for Member States to collect gender-disaggregated data, it is the only way to move forward and establish proper gender mainstreaming policies.

4.3.3. The EESC recommends that in the medium term all European authorities and Member States should use gender budgeting tools at all levels of the budgetary process. The participation of civil society and social dialogue is also crucial in order to detect the areas that need to be addressed through the budget. A gender analysis is a precondition for gender budgeting and gender mainstreaming in (financial) policies, especially the Multiannual Financial Framework (MFF), the Next Generation EU package and the European Structural and Investment funds. Particular attention should be paid to Cohesion Policy, which is one of the essential tools for correcting imbalances between countries and regions. The EESC recommends collecting data specific to gender equality in Cohesion Policy according to indicators developed explicitly for this purpose.

4.3.4. The EESC is pleased to see that the Commission has started an internal training program on gender budgeting, but it is still small-scale. The EESC would like to see that all people working on the European Commission's budgets and at the European's financial institutions are properly trained on gender lens investing, gender mainstreaming and gender budgeting. This training at national level is also crucial for the implementation of gender equality objectives.

4.3.5. The EESC believes it is important to create dedicated funds and financial instruments to support women's entrepreneurship, including women-led (and co-led) and owned venture capital and private equity funds, and also to explore innovative financing solutions that address market failures (e.g., dedicated grants for women, dedicated limited partner funding for women-owned and co-owned funds, loan guarantees or microfinance, co-investment platforms, gender bonds or microcredits).

4.3.6. Furthermore, the EESC believes that updating the criteria of investment funds is necessary to narrow the gender gap. For example, if European funds like Invest EU and European Investment Fund use 'experience' as an important criterion in start-up funding but not 'diversity', we do not grant women equal access to the capital market. The EESC suggests that having a gender equality plan, which includes the fund's strategy on gender lens investing and the funds' commitment to achieving gender equality, should be conditional in the assessment of funds of funds (FOF), venture capital and private equity funds when applying for public funding.

4.3.7. The principles of gender budgeting and gender lens investing should also be used outside the European borders in external financing mechanisms, including development cooperation policies.

4.3.8. The EC should carry out a gender impact assessment of the annual EU budget and present this as an annexed document. This annex to the budget will serve as a gender mainstreaming monitoring document aiming at reshaping budgets in the future, and in relation to this the EP Women's Rights and Gender Equality Committee (FEMM) could adopt an opinion. The EESC also recommends publishing the information and research in consultation with gender budgeting experts and non-governmental organisations working on gender equality well before the parliamentary decision on the annual budget, in order to promote broad debates on budgetary and macroeconomic policies.

4.3.9. The EESC states that all juries of European financial institutions should achieve gender balance as soon as possible to avoid homophily or 'similar attracts similar' bias and also receive training on unconscious bias. The European Innovation Council, for example, set a target of improving the number of women-led start-ups under its Accelerator programme by increasing the number of female jury members to 50 %, and by inviting more women to pitch their businesses. The Council increased the percentage of female-led start-ups from 8 % to 29 %.

4.3.10. We also suggest appointing a Women's Enterprise Director or High-level representative within the European Commission and the Member States' enterprise ministries with a cross-departmental role in raising awareness and promoting the economic benefits of encouraging more women to start and grow businesses, including social businesses.

4.3.11. The EU and Member States should support the role of public, local or regional development agencies in the investment market and their role in social impact. For example, in the Netherlands, these regional development agencies invest in start-ups and value social impact greatly.

4.3.12. Civil society and non-profit organisations that work on gender mainstreaming are generally underfunded in Europe. The EESC calls for the EU funds to be made more accessible to women's organisations by simplifying procedures and providing grants for their core activity. Structural funds granting procedures should be more aligned with the direct funds so as to avoid bureaucracy.

4.3.13. The EESC finally calls for an ambitious vision from the European Commission and the European institutions on gender budgeting and gender lens investing, including concrete targets on women receiving funding, concrete KPIs, legislation, updated criteria and (intensified) programmes on improving female entrepreneurship and access to finance. The EESC recommends establishing a Gender Budgeting Working Group within the European Commission, mainstreaming gender in the current MFF and other financial instruments. To prepare for more robust gender mainstreaming in the future, the EESC suggests creating a task force as soon as possible among the EU institutions to participate in the negotiations and to align and include gender mainstreaming EU objectives in the next MFF.

Brussels, 14 December 2022.

The President
of the European Economic and Social Committee
Christa SCHWENG