



Task Force 02

**SUSTAINABLE CLIMATE ACTION AND INCLUSIVE JUST ENERGY TRANSITIONS**

## Sustainable Development Solution: Using Gender Lens Investing in Climate Actions

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## Abstract

The gender equality agenda and the battle against climate change are interlinked. This is demonstrated by how women and girls (i) are particularly affected by climate change, (ii) can support and benefit from climate adaptation and resilience efforts, and (iii) can be instrumental in deploying climate strategies and promoting decarbonization. Moreover, the challenges climate change creates and the magnitude of the required transition are so enormous that they cannot simply be resolved by a public response. The private sector has a key role to build climate resilience and promote low-carbon development. One effective approach has been gender lens investing (GLI), a strategy to deploy capital to (i) boost women's entrepreneurship, (ii) promote women in leadership positions, (iii) support corporate actions promoting gender equality, (iv) encourage companies to develop gender-smart products and services, and (v) ensure women's access to finance, jobs, markets, and trade. The increasing success of GLI demonstrates that investing in women-owned and -led companies and in diversity generates increased returns on investment, better business performance, and wider market outreach. GLI also has great potential to address the climate emergency through socially responsible corporate frameworks and investments. This policy brief focuses on how GLI, together with an active role of multilateral development banks, is critical to provide inclusive climate change solutions in G20 countries and worldwide.

**Keywords:** gender equality, climate change, private capital, investment, gender lens investing.

## Diagnosis of the Issue

### Gendered impact of climate change

A shock can impact women and men differently because of gender differences and social norms, and there is growing evidence that climate change has a gendered impact. Girls and women are disproportionately affected by extreme weather events and other climate-related events. For instance, women are more likely to withdraw from agricultural work and struggle to find alternative sources of income after weather shocks (Fruttero et al. 2023).

In fact, gender equality is intricately linked to the effects of climate change (Asian Development Bank 2014). Women represent the majority of the world's poor and thus face higher risks and greater burdens from the direct impacts of climate change (Dunne 2018). In the face of climate shocks, coping strategies combined with unequal gender roles may mean pulling girls out of school for work, reallocating food to the disadvantage of women and girls, or selling women's productive assets. Such intra-household distributions adversely impact women's human capital and productivity (FAO 2014).

Because of their roles and knowledge in the use of resources, and the effect of their behaviors and practices on climate change, women have a specific role and have specific needs. For instance, women typically use extensive firewood for cooking, a traditional practice that remains a massive contributor to carbon emissions. At the same time, women tend to be good at taking up clean technology and thus play an important role as agents of change (Dutta, Kooijman, and Cecelski 2017). A Council on Energy, Environment and Water study in India found more than 80% of the 13,000 early adopters of clean-tech appliances were women (Sanchil et al. 2023).

## **Centrality of Women Empowerment to Fight Climate Change**

### **Global leadership on gender-responsive climate actions**

Therefore, integrating a gender perspective into the design of climate actions is critical to ensure sustainable impacts and to effectively fight the climate crisis. The G20 New Delhi Leaders' Declaration in 2023 acknowledged this differentiated impact of climate change, biodiversity loss, desertification, and pollution on women and girls, as well as the potential of women and girls as agents of change. The G20 leaders emphasized that accelerating climate action must have gender equality at its core. In addition, as the world leaders set their climate objectives in the legally binding Paris Agreement, they recognized the importance of embedding gender considerations in their climate solutions and defined a plan of action with five priority areas that aim to advance the knowledge and understanding of gender responsiveness and systematic mainstreaming (United Nations Framework Convention on Climate Change 2023). From this perspective, climate investment funds are incorporating gender assessments into every project proposal to identify (i) gender-specific activities that can be designed and implemented as part of the project scope and (ii) potential development outcomes from the investment that promote gender equality and women's empowerment.

### **Potential of the private sector to advance gender equality and climate action**

Translating this strong linkage between gender equality and the response to climate change into action takes time and demands strong commitment from various actors across diverse sections of society. It should be noted that the private sector accounts for over 60% of gross domestic product and a majority of job creation in most countries. Given the immense scale of the climate challenges and the required transition that they cannot

be resolved by public responses alone, private enterprises are therefore indispensable drivers of societal change.

In line with the Sustainable Development Goals, incorporating gender equality considerations is essential to achieving combined economic, environmental, and social progress. The grey literature shows that having diversity at all levels of society, including in companies, generates value for businesses and society as a whole. This holds true for addressing climate change, as women's expertise and perspectives can make a difference and provide innovative solutions. Men and women have different experiences of climate change and varying capacities to respond to it because of their distinct roles in economic activities and sectors (Dunne 2018). Women can be effective agents during and after disasters by rapidly contributing to recovery efforts. Harnessing this potential within the private sector would accelerate the response to climate change considerably.

### **Persistent global gender gaps and unequal access to economic opportunities**

The 2023 Global Gender Gap Index report (World Economic Forum 2023) reveals that although gender gaps are narrowing overall, progress across the 102 covered countries has been slow during 2006–2023. In 2023, the gender gap is 68.6% closed, returning to pre-pandemic levels and showing a 4% improvement since 2006. Women continue to face higher unemployment rates than men, and a large share of employed women work in informal sectors.

In essence, systemic gender-based barriers and related gender gaps such as discriminatory regulations and social norms, low financial inclusion, limited access to health and education services, and unequal professional opportunities all hinder women's ability to participate fully in formal economic activities (Abbott and Mohapatra 2019).

Globally, 40% of women and girls live in countries with high or very high levels of discrimination in social institutions (Organisation for Economic Co-operation and Development 2024). In addition, investors, financial institutions, and corporate entities are also constrained by their limited understanding of how to foster women's workforce participation, reach out to women-owned small and medium-sized enterprises, and, more generally, make their business processes more gender-friendly. Acting on companies of all sizes and investors is therefore urgent.

### **Gender lens investing empowers women in the private sector with business benefits**

Gender lens investing (GLI) has gained in popularity among investors, development financiers, and private capital providers since the concept emerged in the 2010s. GLI integrates gender analysis into new or existing investment processes for better social and financial outcomes (2X Global 2024). The gender lens is applied to (i) boost women's entrepreneurship and company ownership; (ii) ensure women's representation in decision-making in governance and leadership; (iii) promote the share of women in quality employment as well as gender-smart policies and practices that enable women to be fully active and productive economic agents; and (iv) scale up women's access to resources, finance, markets, and trade through inclusive value chains and delivered products and services. Integrating gender considerations at all levels to promote diversity in a company's operations leads to better solutions and greater profits.

A large body of evidence exists that investing in women is smart economics for private sector development. The main commercial drivers for GLI include (i) generating higher returns and better business performance (e.g., Sandberg 2019; McKinsey & Company web page; Dixon-Fyle et al. 2020); (ii) mitigating risk better because gender-diverse

boardrooms are linked to better decisions on policies and methods to address risks and challenges (Chen, Ni, and Tong 2016); (iii) reaching new markets by serving the untapped needs of women consumers, from product offering to access to capital; (iv) fostering creativity and innovation, where gender diversity is associated with greater research and development; and (v) accessing a larger talent pool. The transition to resilient economies is expected to create millions of jobs, with participation of women and men needed to meet the demand.

### **Applying gender lens investing in climate finance positions women as change agents**

GLI is proven to be good for business, and companies performing well on sustainability and gender diversity generate greater profit, including in climate finance operations (2X Climate Finance Task Force 2021).

Supporting women's greater access to affordable climate financing contributes to mitigating greenhouse gas emissions. Consider, for instance, a businesswoman who owns a small hotel, which has been profitable and generating income to sustain her family. Yet, it lacks the proper infrastructure to withstand extreme hot and cold temperatures. Low-cost solutions such as smart lighting systems and solar panels for an extra small electricity generator, while bringing some benefits, represent minimal solutions and would force her to continue using carbon-intensive energy and do not protect her against tangible climate risks and their economic implications. What she needs is, first, to identify transformative renewable energy and adaptation technologies, such as climate-resilient building insulation, to help her switch to a green infrastructure business. Second, she needs access to patient capital for a meaningful investment in these technologies. Deploying gender-responsive finance will help achieve more effective climate action by reducing

greenhouse gas emissions and increasing climate resilience (Garzon De La Roza and Valko Celestino 2022).

Affordability and inclusivity in climate financing also ensures women's financial resilience against climate shocks by making their businesses climate-smart or supporting urgent climate adaptation strategies. For instance, financing industrial-scale farming and manufacturing of agriculture products contributes to protecting the ecological environment, preventing disease, ensuring food safety, and improving product quality. Integrating women in financing agriculture value chains and building their sustainable production skills and knowledge of climate resilience enhances the adoption of gender-inclusive production good practices addressing climate change. Climate funds' projects have been shown to further improve women's inclusion in climate responses by allocating part of the blended financing to skills training in green technology and employment opportunities for women, as well as to community-level and entrepreneurial activities to build local resilience.

The sustainable energy transition is creating opportunities for women to engage as consumers, producers, innovators, and decision-makers. Financing gender-responsive and women-led interventions improves uptake of sustainable energy solutions at different levels. Women, as early adopters of renewable energy technologies, have a demonstration effect in using and advocating for these solutions. Clean cooking stove solutions illustrate this well. Since cooking, albeit a fundamental need, is a task performed predominantly by women because of their prime care responsibilities, traditional cooking methods disproportionately affect women more. Thus, clean cooking solutions likewise disproportionately benefit women by reducing their exposure to air pollution, risks related to fuel fetching, and drudgery time spent on domestic chores. More efficient and cleaner



cooking facilities are a quick and effective way to not just save lives; they empower women by reducing their daily unpaid workload.

Overall, GLI—and gender-responsive climate finance as one example—addresses long-standing gender gaps while actively contributing to carbon emission reduction targets. The combination of greater access to affordable credit, which enables women to acquire sustainable energy technologies and thus reduce their consumption and dependency on solid fuels, and affirmative interventions, such as promoting women and girls to pursue careers in science, technology, engineering, and mathematics (STEM) and green sector jobs, provides the required equal opportunities for women’s needs, preferences, and knowledge to be considered in the sustainable energy transition.

## Recommendation and Scenario of Outcomes

GLI is a global industry standard for gender investments in development finance. It is an effective means of ensuring that investments align with the global development agenda to promote inclusive and sustainable growth, with women and girls as fully productive agents of socioeconomic solutions. Implementing GLI in the G20 countries, with a combined population of almost 5 billion, can be highly transformational.

Multilateral development banks (MDBs) play a dual role as leaders in integrating GLI assessment in the process and implementation of development finance operations and as catalysts in raising awareness of how gender equality design applies across sectors and advocating for GLI within the investment ecosystem. More specifically, the following recommendations will guide MDBs and other development financiers in creating the conditions and opportunities for a more sustainable, inclusive, and equitable society able to deliver climate actions:

- **Conduct global advocacy and knowledge sharing on GLI.** MDBs and development finance institutions should help enhance the understanding of GLI principles and implementation strategies. By leveraging their extensive networks and relationships, they can serve as platforms for advocating GLI adoption and disseminating knowledge on best practices among member countries, the private sector, and other key stakeholders.
- **Tailor climate finance mechanisms and private sector interventions.** Ensuring gender considerations in all projects financed by climate funds and earmarking climate funds for women-led or -owned enterprises would help address the shortages of financing accessible to women. Recent reports have found that about a third of climate finance globally supports gender equality, but only 1.5% had gender equality as an objective. By

making gender equality part of the climate response, these financing mechanisms could address the gender gap in climate finance.

- **Equip women with technical knowledge.** Alongside providing financing, development projects typically also look at building skills and knowledge for greater empowerment. This is even more relevant in the fight against climate change. Such projects can deliver capacity building programs to upskill women on green opportunities and enable them to adopt low-carbon energy solutions, climate-smart technology, and sustainable business practices.

- **Encourage the adoption of good international standards for GLI.** With the global uptake of environmental, social, and governance considerations, integrating gender metrics in corporate frameworks ensures a gender lens is systematically applied throughout the stages of any investment.

- **Promote the multidimensionality of women's economic empowerment, with GLI as an interlinked element.** It is fundamental to continue tackling systematic issues such as discriminatory norms, unequal access to resources, and limited economic opportunities for women through existing programs. Addressing the root causes of gender inequality will require integrating comprehensive and multifaceted strategies alongside GLI that encompass broader social, cultural, and institutional dimensions.

- **Leverage GLI solutions to enhance the focus on marginalized groups.** Gender intersects with other factors of exclusion such as ethnicity, socioeconomic status, disability, and sexual orientation. Marginalized groups often face greater barriers hindering their ability to fully benefit from development initiatives. MDBs and development finance institutions should support GLI to further evolve into a more intersectional approach to gender equality, becoming more inclusive and responsive to



diverse needs and experiences, and eventually deliver better and more comprehensive climate solutions.



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