

# Queer Lens Impact Investing: Country Selection



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[Mar 19](#) · 10 min read

19. März 2020



This article hopes to shed some light on how to think through different indicators and aspects when assessing the opportunities that a country or region has in terms of queer impact investing. For our [Queer Impact Investment Universe](#) studies, we wanted to glean insights from two to three different geographical areas in order to compare similarities and differences. The initial country selection was based on our internal views as well as on input from the preliminary field study by Justus Einfeld, from our global network of fellow LGBTQIA\* funders, and from the [National LGBT Chamber of Commerce](#).

South Africa was an easy choice, given the regulatory environment (and relatively strong LGBTQIA\* rights — at least on paper), the size of the country, and Dreilinden's strong network of organisations that we had built through our grant-making activities. In Mexico we had less first-hand experience but were inspired by a combination of great initiatives already in progress from [FME LGBT+](#), the market size, and the progress made on the regulatory front. Eastern Europe, however, was a little trickier. The Czech Republic would have been the

obvious choice, but it felt too close to home and not representative of the wider Eastern European region. Other countries either seemed to be moving in the wrong direction in terms of LGBTQIA\* rights or there was a lack of enthusiasm from the activists we connected with.

Of course there were a few parameters that we were considering, such as regulatory environment (LGBTQIA\* rights and cross-border investment climate), market size, and our own reach in the respective countries, but overall the approach wasn't particularly systematic. We also still had the question of Eastern Europe to solve, and we wanted to build a framework that would allow us to think through key indicators in a structured manner.

As part of the mandate to assess the [Queer Impact Investment Universe](#), [iGravity](#) developed a country assessment framework to evaluate a country's potential for queer impact investment. We are presenting this first version with the intention that it become a living framework, to be refined, adjusted and improved over time. Based on initial learnings from South Africa and Eastern Europe, we highlight the challenges and opportunities of the framework while also offering suggestions for further development.

## Data Sources

The framework identifies a number of indicators from a range of data sets and indices, with the intention of providing a basis for qualitative assessment in terms of queer impact investment opportunities in a given country:

- Population size and GDP per capita as a proxy for market size
- Economic growth rate as a proxy for market dynamism and conditions for entrepreneurial activity
- [World Bank Ease of Doing Business Index](#) as a proxy for ease of setting up an enterprise and navigating the regulatory requirements as an entrepreneur
- [IFC's MSME Finance Gap](#) as a proxy for the (mal)functioning of local credit markets
- [GEDI's Global Entrepreneurship Index](#) (GEI) as proxy for the health of the entrepreneurship ecosystem
- Estimated openness to LGBTQIA\* individuals as measured by ILGA-Europe's [Rainbow Index](#), Transgender Europe's [Trans Rights Europe Index](#), and the Global Index on Legal Recognition of Homosexual Orientation (GILRHO)

## Applying the Framework to Eastern Europe

Based on the above indicators, [iGravity](#) assessed 17 Eastern European countries (see figure below) in close consultation with Dreilinden.

We wanted to keep complexity as low as possible. We also tried to avoid extensive travel between countries and having to navigate multiple cultural environments and languages. Potential market size as indicated by population size and GDP were therefore primary drivers in our conversations and led us to set a minimum population size of four million (more on this below).

Hungary was initially ruled out due to the current political climate (though this decision was questioned in a second step) and its relatively modest MSME Finance Gap. In addition, conversations with regional and national LGBTQIA\* organisations suggested that

entrepreneurial activity was highest in the Czech Republic and, to a lesser degree, the Slovak Republic. In the end, we felt that the Slovak Republic would be most representative of Eastern Europe.

Country Name	Population*	GDP (USD)	GDP Per Capita (USD)	GDP Growth Rate	WB Doing Business Index, rank	GEI, rank	Rainbox		Trans Rights Europe Index, GILRHO,		MSME Finance Gap	MSME Finance gap as % of GDP
							Index, rank	score	score**	score**		
Poland	37,959,000	593,295,000,000	15,630	3.8	33	31	38	5	3	107,851,883,087	23%	
Slovakia	5,451,000	109,863,000,000	20,155	3.7	42	36	31	8	5	18,264,992,545	21%	
Serbia	6,965,000	52,424,000,000	7,527	3.5	48	74	28	7	2	10,089,573,405	28%	
Hungary	9,758,000	168,778,000,000	17,296	3.6	53	50	20	12	6	36,712,035,622	30%	
Romania	19,522,000	244,158,000,000	12,507	3.1	52	46	35	3	5	45,871,481,609	26%	
Czech Republic	10,606,000	246,161,000,000	23,210	2.9	35	38	29	8	5	71,491,146,931	39%	
Bulgaria	6,970,000	67,044,000,000	9,619	3.3	59	69	34	8	4	6,478,198,896	13%	
Croatia	4,067,000	61,252,000,000	15,059	2.6	58	54	17	14	5	9,496,554,331	19%	
Bosnia and Herzegovina	3,502,000	20,152,000,000	5,755	3.1	89	95	27	10	3	774,689,474	5%	
Albania	2,870,000	15,960,000,000	5,562	3.7	63	83	25	7	1	1,077,970,254	9%	
Lithuania	2,746,000	54,240,000,000	19,749	2.9	14	29	37	3	4	-	0%	
North Macedonia	2,079,000	12,884,000,000	6,198	3	10	66	41	1	3	24,262,574	0%	
Slovenia	2,069,000	55,088,000,000	26,621	3.4	40	25	18	7	5	7,980,425,474	19%	
Latvia	1,929,000	35,721,000,000	18,522	3.2	19	44	40	3	3	1,237,839,309	5%	
Kosovo	1,827,000	8,126,000,000	4,447	4.2	44	N/A	26	6	3	342,253,144	5%	
Estonia	1,319,000	31,026,000,000	23,514	3	16	23	21	11	5	5,273,410,808	23%	
Montenegro	625,000	5,443,000,000	8,711	2.8	50	60	23	10	2	631,854,361	16%	

\*Populations below five million excluded due to expected low pipeline potential

Out of 190

Out of 49

Top score: 25 Top score: 8

\*\*from 2009

## iGravity: Country Selection Framework

Put into practice, the field trip to the Slovak Republic resulted in a relatively small number of investment opportunities. Poland was added as a second focus country for Eastern Europe. Five main factors drove the decision for Poland: (1) the low levels of legal rights and protection of the LGBTQIA\* communities, indicating a greater need for support; (2) the high responsiveness and maturity of local LGBTQIA\* organisations; (3) the relatively high rankings on business and entrepreneurial climate; (4) a significant MSME Finance Gap; (5) the large population size.

## Learnings from the Framework

We initially aspired to present an indicator-weighted formula that would result in a clear ranking of the countries considered. However, in the end we concluded that a formulaic approach wouldn't do justice to the need for a more nuanced assessment. Indeed, the strength of the framework arises from the discussions that ensued about each indicator. While we were considering the indicators for the Slovak Republic and Poland, we realised that an in-depth understanding and discussion of each indicator would have resulted in a vastly improved decision-making process. We also found that grouping the indicators into economic and LGBTQIA\* factors allowed for a structured approach to uncover biases (conscious and unconscious), assess potential areas of conflicts, determine internal priorities, and work through different scenarios.

Based on our experiences in Eastern Europe and [South Africa](#), we propose adjusting the indicators to further increase relevance for our target group and to reduce complexity. We also go one step further with the LGBTQIA\* indicators by adding a qualitative factor to the considerations.

## Economic Indicators

The economic indicator group assesses a country's market potential and attractiveness in terms of queer impact investment opportunities.

- Population size: We initially set a somewhat arbitrary minimum population size of four million for a country to be considered. As the case of the Slovak Republic has shown (in hindsight), this was too low to generate a meaningful pipeline of potential investment opportunities. (Alternatively, one could also argue that we didn't reach deeply enough into the communities — see below). While the higher GDP per capita and better Ease of Doing Business and GEI rankings would point to the Slovak Republic, market size outweighed these three factors in favour of Poland.
- GDP/GDP per capita/GDP growth rate: GDP reflects the size of a country's economy (to a degree). However, given our focus on the Global South and East, where the informal sector accounts for a significant, often larger, portion of the economy, we know that the lived realities for people in a country can be very different to that suggested by the GDP (1). We also concur with the [critique](#) of using GDP as a factor for success and well-being, given the potential externalities associated with achieving such an outcome. We also take the view that the situation for LGBTQIA\* communities is reflected even less, given widespread marginalisation and disenfranchisement. While we do not suggest completely discounting GDP, we do suggest using it as a supporting data point rather than as a lead indicator and also propose using GDP on a purchasing power parity basis (GDP PPP).
- Ease of Doing Business: There were two primary drivers for using [Ease of Doing Business rankings](#) as a key indicator. On the one hand, they measure the ease of setting up a business, the regulatory environment for businesses, and access to funding. On the other hand, they also provide an indication of the attractiveness of a country for foreign direct investments.(2)

Given the nascent quality of queer impact investing, we wanted to strike a balance between choosing a country that is representative of the region and finding a conducive entrepreneurial environment. In hindsight, we realise that we didn't always follow through on this. Mexico ranks first in Latin America; South Africa is in the top four of Sub-Saharan Africa; while the Slovak Republic is very middle-of-the-road in Eastern Europe. Of course, there were other indicators that played into our decision making, but we would have probably sought a more stringent approach if we had analysed our priorities in greater detail during the assessment.

- MSME Finance Gap: The [MSME Finance Gap](#) assesses the financing needs of micro, small and medium-sized enterprises (MSMEs) versus actual lending in a country. At the time of writing, developing markets had a financing gap of approximately USD 5 trillion! From an investment perspective, the MSME Finance Gap is one possible illustration of the market potential in a given market. While relevant, the lack of access to finance appeared much more pronounced for members of the LGBTQIA\* communities than the MSME Finance Gap suggested. Hence, even in countries where the MSME Finance Gap may appear small, the reality for members of queer communities may be very different. At least in the initial stages of queer impact investing, the MSME Finance Gap will provide an additional data point, although we believe it is not reflective of the situation of our target audience.
- Global Entrepreneurship Index: The design of the [GEDI's Global Entrepreneurship Index](#) (GEI) is geared towards countries with a strong entrepreneurial infrastructure. As our [first pilot project in South Africa](#) has shown, the entrepreneurial ecosystem in South Africa is gaining a good deal of momentum, with many great initiatives from the state, foundations, universities, entrepreneurs, etc. However, this very ecosystem doesn't seem to be accessible by large parts of the LGBTQIA\* population. Hence,

entirely new networks and platforms will need to be established as a segue to deeper integration in the economic supply chain. We therefore concluded that we should exclude GEI as an indicator, and we note that the index will be discontinued and replaced by another one that is more focused on digital entrepreneurship.

## LGBTQIA\* Indicators

The LGBTQIA\* Indicators aim to provide a sense of the lived realities of our target group in the respective countries. Similar to our approach to Ease of Doing Business above, we wanted to focus on countries with some level of stability from an LGBTQIA\* perspective, both in terms of legal protection and social acceptance, while also hoping to support those individuals who are most marginalised.

We are also introducing a very practical indicator that was a critical factor in the success of our efforts. That is the network and reach that an organisation has in the selected country.

- ILGA-Europe's [Rainbow Index](#): The Rainbow Index is the result of a comprehensive analysis of LGBTQIA\* rights across Europe. Its recent inclusion of civil society space factors and an increased focus on trans and inter communities reflects the need for greater sensitivity and recognition. We note the limitations of the index due to its geographical focus on Europe. [Equaldex](#) may serve as a possible alternative, but we lack the practical experience to offer an informed opinion about that.
- Transgender Europe's [Trans Rights Europe Index](#): We were initially concerned about reaching all parts of the LGBTQIA\* communities, in particular people from rural areas and those individuals who are most marginalised. We therefore decided to give particular attention to trans communities by adding the Trans Rights Europe Index on top of the Rainbow Index. We appreciate that some of the factors measured may overlap with the Rainbow Index, but we felt this provided a great opportunity to think through our priorities when it comes to the most marginalised groups in a country.
- Global Index on Legal Recognition of Homosexual Orientation (GILRHO): We decided to drop GILRHO as we felt the [Rainbow Index](#) already covered the pertinent topics of the index.
- UCLA [Global Acceptance Index](#): We added the UCLA Global Acceptance Index retrospectively to account for potential discrepancies between the regulatory environment (covered with the Rainbow Index and Trans Rights Europe Index) and social acceptance within a country. The regulatory environment in South Africa made it relatively straightforward for us to advertise our activities and find localities. If we had run our pilot project in a country where legal protection was not granted or social acceptance was very low, we would have faced many additional challenges.
- Organisational reach/local partnerships: We found that our own network of friendly organisations and local partners were crucial to the success of our endeavours. We relied heavily on our partnerships to reach the LGBTQIA\* communities and encountered much goodwill along the way. In hindsight, we believe it is the local organisations supporting such a project that make it a success. In Mexico we hugely benefited from [FME LGBT+'s](#) standing in the communities, while in South Africa the [PLUS. LGBTI+ Business Network](#) was invaluable. In contrast, it was significantly harder to connect in Eastern Europe, where our network is not as strong.

## Final Thoughts

We had hoped to find an all-encompassing formula for our country selection, but it transpired that the complexity and contradictions call for a more nuanced approach. The indicators outlined here continue to provide a rich source of debate on our own values and priorities, often putting one of them in conflict with another. We found the structured process of talking through the different indicators extremely fruitful, and often went back and forth between indicators in an effort to weigh one against the other.

The studies in Mexico and Eastern Europe and our pilot programme in South Africa have confirmed that local champions play a critical role in our mission to reach out to people within the communities. It was demonstrated once again that without local insights and trust, often cultivated over years or even decades, initiatives will take significantly longer to come to fruition, as networks and local reach have to be built from scratch. Hence, we remain committed to our local strategy once we have identified a need for queer impact investing.

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1. World Economic Forum, [5 ways GDP gets it totally wrong as a measure of our success](#), David Pilling
  2. World Bank Group, [Doing Business 2020 — Comparing Business Regulation in 190 Economies](#), p.37–38
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## *About Dreilinden gGmbH*

*Dreilinden is a Hamburg-based foundation dedicated to advancing societal acceptance of gender and sexual diversity. Founded in 2007, Dreilinden has been at the forefront of supporting sexual orientation, gender identity and expression, and sex characteristics with grants and investments. Kindly note that Dreilinden does not accept any grant applications at this time.*

## *About iGravity AG*

*iGravity is an advisory firm specialising in impact investments and innovative finance solutions. Established in March 2017, the firm's mission is to connect disruptive ideas, visionary people, institutions and capital to address some of the most pressing social issues. iGravity works within three interlinked verticals: Research & Advisory Services, Investment Solutions and Impact Ventures. Clients include family offices, NGOs, international organisations, asset managers, foundations and governments.*

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Written by

## **Dreilinden**

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