



## BAE STRATEGY PAPER: BRIDGING THE FINANCE GAP FOR WOMEN ENTREPRENEURS

THE ROLE THAT  
THE FINANCE  
PROVIDERS PLAY  
IN INCREASING  
ACCESS TO  
INVESTMENT



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## ABOUT WEGATE

*The European Gateway for Women's entrepreneurship, called WEgate, co-funded by the COSME programme of the European Union (EU), represents one of the key initiatives of the European Commission for supporting women entrepreneurship (WE), aiming to become a one-stop-shop where existing and potential women entrepreneurs can find assistance, inspiration, motivation and get in touch with peers and stakeholders for facilitating their growth and competitiveness.*

*It features an online platform [www.wegate.eu](http://www.wegate.eu) that offers information and networking opportunities; commissions pan-European annual survey on the needs of women entrepreneurs (WEbarometer); organizes numerous events, webinars and b2b sessions, as well as the WEgate training academy for building individual skills within the WE support eco-system.*

*One of the aims of the WEgate is to increase the visibility of women entrepreneurs and to promote discussion on important topics for improving the conditions for WE development. To achieve this, the WEgate consortium is promoting the creation of a large European WE community of practice that focuses on engaging a growing and diverse number of stakeholders supporting women entrepreneurs, with an emphasis on co-creation, networking and development of public policy resources.*

*For addressing key areas of interest of WE development, dedicated WEgate Thematic groups (TGs) are formed as ad-hoc groups within the WEgate Community. This WEgate TG is dedicated to access to finance policies and programmes.*

# 1. Introduction

## The role that finance providers play in increasing access to investment

The following strategy paper has been drawn up by Business Angels Europe (BAE), the European confederation of Angel Investing, representing European Business Angels' Federations and Trade associations across Europe. BAE brings together the most active and developed countries operating in the angel market in Europe.

BAE's key focus is creating a **connected ecosystem** for angel investing across Europe. We work with key players across the finance and business marketplace and **raise awareness of angel investing** to individuals with the capacity to invest, by bringing both finance and experience to small businesses.

We are committed to increasing diversity in angel investment, ensuring that women and other diverse founders can access the angel investment they need/ This allows for an increase of diversity within the angel investment community.

As part of our work under WeGate, BAE has brought together thematic groups in the finance community across Europe to share their insights and experience in order to develop the strategic approach set out below. This includes an overview of the challenges and barriers that women entrepreneurs are facing in accessing funding and key steps that can be taken at both practical and policy level, with examples of good practice that the finance community is taking.

## 2. The Challenges and Barriers for Access to Funding for Women Entrepreneurs

Access to the right finance at the right time is vital for women entrepreneurs across Europe to enable them to successfully set up, build and grow their businesses. However, many European women business leaders still face major challenges in accessing the funding they need to achieve their growth ambitions.

Currently, the number of female entrepreneurs applying for funding from banks and equity investors is considerably lower than their male counterparts. Most female entrepreneurs are also seeking significantly lower levels of finance compared to their male business counterparts. This causes them to receive a much lower proportion of the total finance available from banks and equity funders.

In the year of 2021, Equity capital investment across Europe formed a record year with \$100bn invested. However, women entrepreneurs across Europe accessed only 1.1%

of total venture capital in that same year as identified by Atomico's State of European Tech report<sup>1</sup>.

We know that there are many barriers along the way for women businesses across Europe in accessing the business support and advice they need for their needs. Our experience and research at Business Angels Europe<sup>2</sup> and with the WEGate Barometer<sup>3</sup> have demonstrated that the challenges that women entrepreneurs are facing are considerable. However, often the reasons for women's low access are attributed to the women entrepreneurs themselves such as the types of business that women establish, their approach to pitching and presenting their business, their tendency to ask for less funding than their male counterparts etc. However, our experience and research demonstrates that many of the barriers to funding for women entrepreneurs sit squarely with the finance providers themselves, whilst most of the investment and finance decisions-makers are men.

The challenges are systemic across Europe, manifesting disparities across the whole funding process ranging from the pipeline and channels for investors through to the processes for evaluation, due diligence and decision-making. Gender bias is manifested across the piece.

At the same time, there is a continuing low representation of women in decision-making roles in the finance community which directly impacts the experience and outcomes for women led businesses. On average only 14% of Angel Investors are women across Europe. This number is even lower in EU member states with less developed Angel markets.

Notably, our research and experience has shown that growing the number of female angels will directly increase the level of investment in female entrepreneurs since European Women Angel Investors make 30%-50% of their investments in female founded businesses.<sup>4</sup> Yet many women with investment potential across Europe are currently unaware of the benefits of angel investing.

Women frequently lack knowledge and understanding of the opportunities and benefits of being an angel investor, do not understand the process, lack the relevant environment to engage with other investors and do not know how to access relevant entrepreneurial deals and investment opportunities.

The situation is compounded at the level of Venture Capital, for example the European Women in VC report identified that only 15% of women were General Partners in Venture Funds<sup>5</sup>. Whilst 4 out of 5 Investment Committee members are male, female GPs have less investment power with 9% of total Assets Under Management compared to the 91% of male GPs.

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<sup>1</sup> Atomico State of European Tech Report: [https://soet-pdf.s3.eu-west-2.amazonaws.com/State\\_of\\_European\\_Tech\\_2021.pdf](https://soet-pdf.s3.eu-west-2.amazonaws.com/State_of_European_Tech_2021.pdf)

<sup>2</sup>BAE-WA4E The Barriers and Opportunities for Women Angel Investors in Europe- Feb 2018

<sup>3</sup> <https://wegate.eu/news-events/news/findings-webarometer-2021-are-out>

<sup>4</sup> The Barriers and Opportunities for Women Angel Investing UKBAA-BAE Feb 2018

<sup>5</sup> European Women in VC Report- May 2022

More than one-third of Europe's top VC firms (as defined by Dealroom), are yet to hire a female partner. While European VCs continue to raise larger and larger funds, the number of women who have been promoted or hired for senior investment positions remains abysmally low. A March 2021 survey by the British Venture Capital Association<sup>6</sup> concluded that women only held 13% of investor decision-making roles in VC firms in the UK, while a study on funding in the CEE region from the same month stated that 81% of funds in the region had no female general partners.<sup>7</sup>

A key consideration is that there remains no clear career path for women that are looking to enter the Venture Capital market, with even greater barriers to achieve the level of GP. Whilst the road for women to achieve LP status to raise and lead VC funds has even more barriers.

In relation to banks and other debt and loan providers, the position for women founders across Europe seeking to access debt funding remains equally challenging. The Financial Alliance for Women identified that Women business owners generally asked for lower levels of debt finance<sup>8</sup>.

There was also a lack of female-focused banking services/products, a lack of access to timely information, business and financial education to structure the business case for debt/loans as well as lack of access to women business networks.

At the same time, bank managers generally failed to recognize that women business owners were more likely to be profitable, have loyal customers, generate much lower rates of default on loan repayments than their male counterparts and produce higher rates of saving. There is also a need for greater recognition of their value as bank customers when seeking to access loans for their business<sup>9</sup>.

A major issue across the European banking and loan market is the lack of women in key decision-making roles in relation to funding allocation for women business founders.

**There is a clear opportunity for change across the European funding value chain from debt to equity. This will have a direct and significant impact on women entrepreneurs' access to finance, alongside direct actions to improve the level of advice, guidance and support to women business owners.**

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<sup>6</sup> BVCA Diversity and Inclusion report

<https://www.bvca.co.uk/Portals/0/Documents/Research/2021%20Reports/BVCA%20Diversity%20and%20Inclusion%20Report%20-%20Online.pdf>

<sup>7</sup> <https://ceereport2021experiorevc.unconventional.vc/>

## 3. What Can be Done to achieve Change

### 3.1. Increase the number of Women angel investors across Europe

#### Establish a European Women Backing Women Campaign:

A Europe wide awareness raising campaign, including existing Business Angel groups and all relevant players in the national and regional ecosystems, to enable many more women across Europe using both face to face events across all member States. Extensive use of media and social media to enable many more women to understand the benefits and opportunities of using their spare financial capacity and experience to back women founders in their own economy

#### Education for Women Angel Investors:

- Develop bespoke, accessible women educational programmes, aimed at enabling women's knowledge and skills in angel investing.
- Identifying key steps of the angel process delivered through e-learning and face to face session including direct mentoring by more experienced angels. These can be delivered by experienced angel groups face to face in the Member States or through online sessions.
- Providing access to a core set of downloadable educational resources suitable for women investors adapted to the local regulatory and fiscal framework. A further core element is offering **ongoing mentoring and "buddying"** by more experienced angel investors.

#### Example:

*BeAngels, Belgium led by Claire Munck, CEO, has established practical actions which resulted in an increase in the number of women investors from 3% out of 100 to 17% out of 450.*

- *started an angel academy training programme – drawing on experienced angels to support peer to peer learning*
- *provided testimonies from women angels online to raise awareness and inspire*
- *promoted angel activity in business clubs attended by women*
- *organised events in the evening to enable women to attend post work r post family duties*
- *set up investor groups where the initial money commitment is smaller and they receive training and support*

#### Role Models and case studies of Female angel investors

Women who are already Angel investing can serve as important role models and can inspire other women to become angel investors. Women with different backgrounds, experience and ages/cultures across the European Member States should be featured on social media, live podcasts, fireside chats, videos and so on. This also helps to break down the barriers and demystifying Angel investment- by showing that



“women like you” can be angel investing or that“ you don’t need to be rich” and so forth.

### **Awards and recognition of Female Angel Success:**

Awards provide both inspiration and recognition of the important role that women Angels fulfil in backing women across Europe. Member States should establish award programmes by inviting women to come forward and recognising the benefits and impact women investors bring to the local economy

#### **Examples:**

*BAND & BAE Golden Aurora Award for the European Women Angel of the year<sup>10</sup>*

*UKBAA Annual Woman Angel Investor of the year Award<sup>11</sup>*

### **Mobilisation and Integration of Women into Angel groups and syndicates**

- Women should be encouraged to access female friendly angel groups and networks, which provide opportunities to meet and co-invest with like-minded angels and interface with investment-ready and female)led investment propositions and pitches.
- More female focused women angel syndicates across Europe should be developed. These can be all female angel investor groups or have at least 60% of women in the group with a committed focus on investing in women entrepreneurs.
- Male dominated Angel groups need to offer a welcoming and facilitating environment for women to participate in Angel investment groups.

#### **Example:**

*Femmes Business Angels France is the most established female Angel Group in Europe with 160 female angels<sup>12</sup>*

*UKBAA has supported the creation of three all-female Angel groups and 6 further female focused Angel groups with over 70% female angel investors.<sup>13</sup>*

### **Facilitate opportunities for women to make low levels of investments**

Enabling women that are new to angel investing to commit smaller levels of investment through syndication (eg. 2-5k euros per deal). This allows for early confidence building through a low-risk approach and enables the development of a portfolio of investments by female founders.

### **Increase women’s financial confidence and opportunities for leadership**

Actions need to be taken across Europe to improve the general presence of women on Boards, women in senior positions in finance, women as business leaders in

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<sup>10</sup> <https://businessangelstag.de/golden-aurora-2022/>

<sup>11</sup> <https://ukbaa.org.uk/awards/angel-investor-of-the-year/>

<sup>12</sup> <https://www.femmesbusinessangels.org/en/women-business-angels/>

<sup>13</sup> <https://www.investingwomen.co.uk/>; <https://www.fundhernorth.com/>



corporates and as business founders. This will increase women's overall awareness of the potential of their own financial capacity and confidence in risk-taking, investing, identifying the opportunity to angel investing and bringing their financial capacity and experience to support women start-ups.

### **Financial and Wealth Advisors to change their approach to investment advice for female clients**

Advisors across Europe should review their financial wealth management approach when it comes to women. Instead of offering only "safe investments in assets and property",<sup>14</sup> Finance, Tax and Wealth Advisors should make their female clients aware of the opportunities of using their spare wealth to make investments in start-ups by connecting them to angel groups and syndicates, including, where relevant, providing information on relevant tax breaks or incentives available in their country or region.

## **3.2. Increasing the number of Women in Venture Capital**

Actions should include:

**Facilitate a European pathway for access for women into Venture Capital Investment roles** and advancing their opportunities to become GP's.

**Raise awareness among European women of the career opportunity in VC.**

Action should be taken in Member States by raising awareness and recruiting women with a range of backgrounds and skills including from Science, Technology and Engineering about the opportunity offered by Venture capital as a career opportunity.

**Establish opportunities for access to direct education on how to VC Invest** and manage VC funds including apprenticeships that fast-track women into VC firms. (repetition)?

**Ensure that VC firms enable Women GPs to access the same levels of carried interest as their male counterparts.**

**Enable more women to identify the opportunity of becoming Limited Partners** and notably to establish female focused VC funds

**Examples of women leading the way in establishing Venture Capital funds<sup>15</sup> :**

- *Kinga Stanislawska is managing general partner at Experior Venture Partners (Warsaw, Poland) invests in deeptech startups. She is also founder of European Women in VC, a group of senior VC professionals, she advocates for more diversity in the industry*
- *Elina Berrebi and Alice Albizzati are two experienced growth investors who came together to launch growth-stage fund Revaia (then called Gaia Capital Partners) in 2019 and closed a €250m growth fund.*

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<sup>14</sup> BAE-WA4E- research report on The Barriers and Opportunities for women angel investing in Europe identified that 90% of financial advisers did not inform women about angel investing.

<sup>15</sup> <https://sifted.eu/articles/female-vc-partners-europe-list/> see also <https://tech.eu/2022/10/25/eur20-million-fund-f-launched-by-female-founders-as-first-close-oversubscribes/>

- *Inka Mero founded the multistage fund Voima Ventures in 2019, in Finland and became the first ever female founder and managing partner of a Nordic deeptech fund.*
- *Two female VC partners in Germany, Jeannette zu Fürstenberg and Judith Dada raised the firm's second fund of €50m. focused on investing in B2B startups.*
- *Anneke Niessen and Eva de Mol are founding partners at CapitalT (Amsterdam, the Netherlands) in 2020.*
- *London-based Pink Salt Ventures, was the first fund in the UK dedicated to only backing female entrepreneurs. The micro VC was started in 2019 by Samira Ann Qassim and Saloni Bhojwani.*

### 3.3 Establish an industry Code of Good Practice for Financing Women Entrepreneurs

The finance community across Europe, Angels, VC's and debt providers, should sign up to a Code of Conduct which requires a strategic commitment within their organisation. This should include:

**Establishing a clear set of good practice actions** which are set out on their public website aimed at increasing the number of women entrepreneurs who access funding from their organisation.

**Gathering and publishing annual gender related data** that shows numbers and levels of investment made by their organisation in female founders compared to male founders.

**Creating a publicly accessible directory of national/EU Code signatories** accessible to female founders across Europe.

#### Example:

*The **UK Investing in Women Code**<sup>16</sup>, supported by the UK Government and the finance industry, has attracted over 170 signatories including Angel groups, VC funds and Banks who have agreed to demonstrate good practice actions to increase investment in women entrepreneurs and are collecting annual data on investments in women founders.*

*So far two IWC Women in Investing reports have been published for the UK and women founders have access to the data base of code signatories.*

*The Code has now been adopted by the World Bank to encourage global take up among financial providers and the Financial Alliance for Women is also promoting this to their members. There is opportunity for the Investing in Women code to be adopted by finance providers on a European wide level*

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<sup>16</sup> Investing in Women Code <https://www.british-business-bank.co.uk/wp-content/uploads/2022/06/investing-in-women-code-annual-report-2022.pdf>

### 3.4. Good practice actions for Banks, Fintechs and Loan providers to increase investment in women led businesses

The following examples of good practice have been developed by the Financial Alliance for Women working to champion the female economy and fueling transformation around the world by promoting good practice for women by banks, financial providers and fintechs across the world.<sup>17</sup>

**Adapt lending policies and methodologies to support financing women businesses**, using enabling technologies and partnerships with fintech solutions to make easier evaluation and decision-making on loans.

**Train and certify front line bank staff to support Women Businesses.** This can include developing Women in Business specialist advisers.

*Example : TEB Bank Turkey has committed 15m of its own funds alongside EBRD to develop a 50m programme to support women entrepreneurs.<sup>18</sup>*

**Support the establishment of dedicated accelerators and incubators that are female friendly** where banks can directly refer female start-ups to business clients.

*Example: NatWest Entrepreneur Accelerator is a six-month programme for entrepreneurs with high growth businesses who are looking to scale up<sup>19</sup>*

**Earmark dedicated loan and equity funds for Women businesses**

*Example: (BNP Paribas, France has committed €3bn funding ;*

*Example: NatWest UK has established a £2bn Women Enterprise Fund together with BGF to them scale and grow their business and working alongside Coutts to encourage HNW women to co-invest in the fund<sup>20</sup>*

**Allocate a percent of bank supported equity funding to WSME**

*Example: BNP Paribas offer 10% of equity funding to women businesses with a goal of increasing to 25% from 2025<sup>21</sup>*

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<sup>17</sup> <https://financialallianceforwomen.org/>

<sup>18</sup> <https://www.ebrd.com/news/2015/ebd-teams-up-with-teb-to-support-womenled-smes-in-turkey>

<sup>19</sup> <https://www.natwest.com/business/business-services/entrepreneur-accelerator.html>

<sup>20</sup> <https://www.natwestgroup.com/news/2021/01/natwest-doubles-female-entrepreneurship-funding-to-2bn.html>

<sup>21</sup> <https://group.bnpparibas/en/news/bnp-paribas-listens-to-women-entrepreneurs>

## 4. What can the EU and Member States do?

### Fiscal Incentives to support female investors

Some Member States have established tax reliefs to support the growth of angel investment, but these remain inconsistent across Europe. There is opportunity to **create a single unified market** for angel investment with harmonized tax incentives that stimulate cross-border investment and increase access to information with specific incentives to encourage more women to become angel investors, thereby expanding the pool of capital available to female founders.

### Dedicated Funds and co-Investment Funds for Women Founders

More dedicated funds aimed at backing women founders need to be set up across Europe. Notably, public funds need to be used to leverage Angels and private sector investors to back women founders. This can include publicly managed co-investment Funds operated at Member State or regional level.

**Creating national or EU-level Funds focused on investing in women leading small businesses In Science, Technology and innovation** -recognising the opportunity to encourage more women in STEM to establish and spin out commercially viable businesses.

***Example: The Eureka Fund in Italy set up with the support of European Investment Fund** is aimed at DeepTech with co-founder and GP Anna Amati—recognising that women in science and technology have specific challenges in accessing the investment they need to support the commercialisation of innovations . Also encouraging more women to consider their opportunity to engage with innovation, science and technology to address societal and global challenges.*

### Provide Public Funding to support Women led Investment Funds

Increasing the number of female fund managers and LP requires a combination of lowering barriers of entry for emerging female fund managers, by providing guaranteed loans or funds for the initial GP Commit Fee of 1-2%, as well as shifting the criteria to allow for varying experience levels and creating funds with a low entry barrier to enable emerging women managers.

### Establish a European Funds of Funds for Women VCs

There is an opportunity to establish a Fund of Funds to prioritise venture funds with diverse management teams, including female led venture funds across Europe. by implementing concrete strategies to change the status quo quickly, including within their management teams. A system wide transformative change is needed which should involve the EIF, the EIB and other major funds of funds<sup>22</sup>.

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<sup>22</sup> European Women in VC Report May 2022

[https://www.europeanwomenvc.org/\\_files/ugd/de30d6\\_52430eabd0fc4714872ca67265f83b6b.pdf](https://www.europeanwomenvc.org/_files/ugd/de30d6_52430eabd0fc4714872ca67265f83b6b.pdf)

## **The Role of InvestEU in empowering investment by women and in women**

The EIF is taking action on Gender Smart Investing with the launch of InvestEU which is strengthening its resolve on the path towards embracing diversity and fostering women's economic empowerment. In particular, the EIF has stated its commitment to support the participation of women in leadership positions with venture capital and private equity funds. This will be achieved through investments in funds that are managed by teams meeting the gender smart investment criteria.

The way in which the InvestEU will support female representation is via its Gender Criteria.

A Financial Intermediary is considered to adhere to the Gender Criteria if it satisfies at least one of the following:

- Its management team is composed of at least one third of female partners, or
- Its senior investment team provides for at least 40% of female representation, or
- At least 40% of female representation is provided in its investment committee<sup>23</sup>

### **Training and education for Women as VC and Fund managers**

The EIF is also planning to complement the investment activity with additional initiatives aimed to boost the investment readiness of female fund managers.

**The European Institute for Technology (EIT)** will also do its part in training women that are interested in excelling in the venture capital world through its Women2Invest programme<sup>24</sup>

*For further information on our work in increasing investment in Women Founders contact:*

<https://www.businessangelseurope.com>

<https://wagate.eu>

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<sup>23</sup> <https://engage.eif.org/investeu/equity?overlay=Female%20representation>

<sup>24</sup> <https://eit.europa.eu/our-activities/opportunities/eit-opens-call-investors-participate-women2invest>