

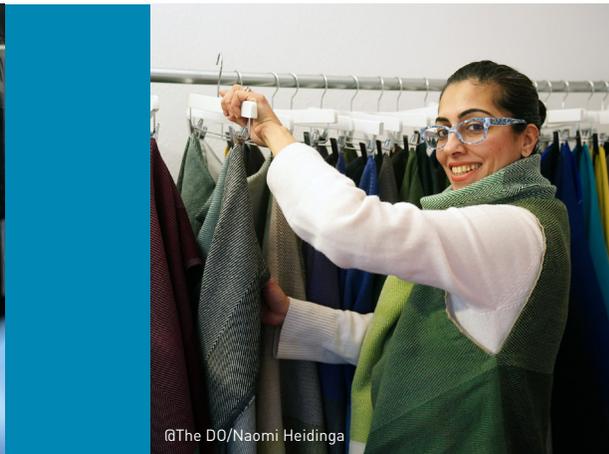
GENDER-RESPONSIVE PROCUREMENT IN ASIA AND THE PACIFIC

AN OPPORTUNITY FOR AN EQUITABLE ECONOMIC FUTURE

AN INTRODUCTORY BRIEF



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GENDER-RESPONSIVE PROCUREMENT (GRP)

GRP is an important vehicle for enriching supply chains by broadening the range of suppliers of goods and services available to businesses and governments and for advancing women's economic empowerment. GRP promotes the principles of **buying from women-owned businesses (WOBs)** to enable their equitable access to markets and **buying from gender-responsive enterprises (GREs)** in order to create more gender-responsive value chains.

Defining gender-responsive procurement and enterprises

Gender-responsive procurement (GRP)

is defined as "The sustainable selection of services, goods, or civil works that takes into account the impact on gender equality and women's empowerment." It is founded on international standards, agreements, and principles relevant to improving gender-responsive working conditions and essential for upholding women's basic rights in the supply chain. This brief considers an expanded definition of GRP that includes buying from **WOBs** and leveraging the potential of buying from **GREs**, regardless of the ownership.^a



A gender-responsive enterprise is defined, for this brief, as one that meets criteria for integrating gender equality and women's empowerment principles in its policies and practices, and that is aligned with international norms and standards, including the Women's Empowerment Principles and International Labour Organization standards.^b

A woman-owned business is defined by the International Finance Corporation for small and medium-sized enterprises as one that has (1) at least 51% ownership by women; or (2) is at least 20% female-owned and has (a) at least one woman as chief executive officer, chief operating officer, president, and/or vice president; and (b) 30% or more females on its board of directors, where a board exists.^b

Supplier diversity: a formal programme which promotes the procurement from businesses that are at least 51 percent owned and operated by a traditionally underrepresented or underserved individual or group*

Sources:

a United Nations Global Marketplace. **UN Women Gender Responsive Procurement**. https://www.ungm.org/Shared/KnowledgeCenter/Pages/PT_GRP

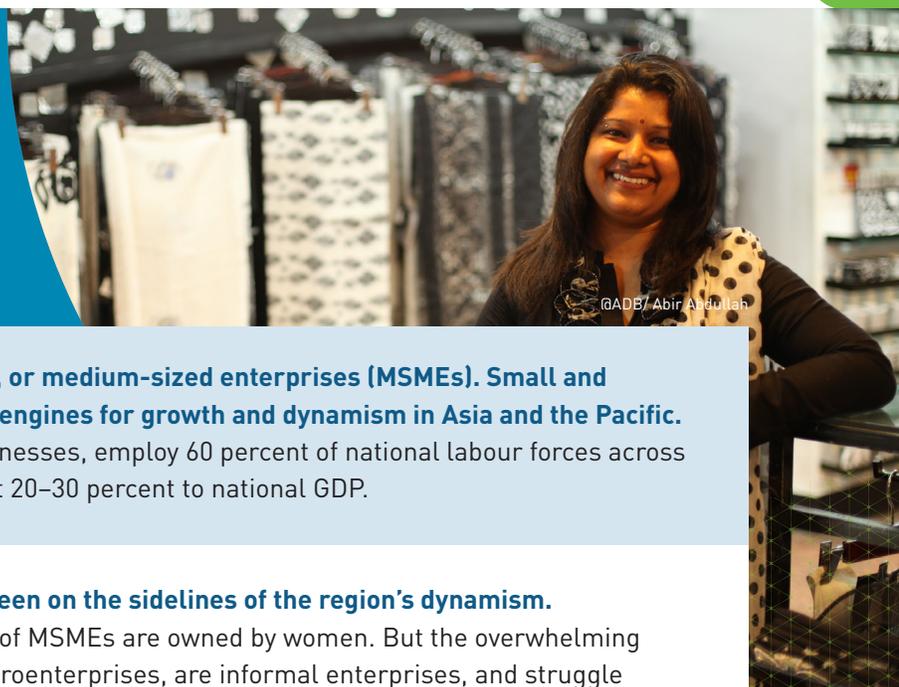
b UN Women and International Labour Organization. 2021 <https://www.unwomen.org/sites/default/files/Headquarters/Attachments/Sections/Library/Publications/2021/Rethinking-gender-responsive-procurement-en.pdf>

* <https://hbr.org/2020/08/why-you-need-a-supplier-diversity-program>

Recognizing the importance of enhancing WOBs' participation in business, the Asian Development Bank (ADB) and UN Women studied how GRP can enhance and deepen supply chains by promoting policies and practices that enable WOBs to participate in them. This Introductory Brief outlines the business and economic potential for the public and private sectors to adopt GRP, and provides a few examples of current good practices in Asia and the Pacific and beyond. The main report will be published in 2022.



KEY FINDINGS FOR ASIA AND THE PACIFIC



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The vast majority of WOBs are micro, small, or medium-sized enterprises (MSMEs). Small and medium-sized enterprises (SMEs) are vital engines for growth and dynamism in Asia and the Pacific.

They comprise close to 98 percent of all businesses, employ 60 percent of national labour forces across many Asian economies, and contribute about 20–30 percent to national GDP.

WOBs in Asia and the Pacific have largely been on the sidelines of the region's dynamism.

Across the region, approximately 60 percent of MSMEs are owned by women. But the overwhelming majority of MSMEs owned by women are microenterprises, are informal enterprises, and struggle to scale up or survive due to gender-specific challenges in accessing finance, business skills and training, and markets. Conversely, most larger businesses are male-owned. For example, in Fiji, one of the Pacific's largest economies, only 12 percent of all formal enterprises are led by a woman and in Viet Nam the majority of women own micro enterprises 84.1 percent, small enterprises 12.8 percent, medium enterprises 1.6 percent and women-owned large enterprises 1.6 percent.¹ Moreover, the region has the largest global SME financing gap, with 59 percent of the gap attributed to credit constraints faced by woman-owned SMEs. In Indonesia, the gender financing gap is estimated to be US\$6 billion, and in Viet Nam it is estimated to be at US\$1.19 billion.²

The COVID-19 pandemic has exacerbated the challenges. Rapid assessments of the pandemic's impacts on WOBs indicate that an overwhelming majority fear that their businesses may not survive, with many reporting significant loss of sales. As the region turns towards economic recovery and aims to “build back better,” GRP offers the public and private sectors a concrete means to do so by promoting greater participation of WOBs.

GRP is a largely untapped/invisible opportunity among both private and public sectors. Of the Asian and Pacific businesses that participated in a recent analysis (the Women's Empowerment Principles Gender Gap Analysis Tool [GAT])³, over three-quarters did not respond to questions related to GRP, indicating that few companies understand or are informed about GRP practices in their businesses. And there are very few examples of governments proactively integrating GRP into their procurement systems.⁴

1 The National Strategy on Gender Equality for the 2021-2030 (Viet Nam)

2 International Finance Corporation (IFC).

2016. **Women-Owned SMEs in Indonesia: A Golden Opportunity for Local Financial Institution.** https://www.ifc.org/wps/wcm/connect/260f2097-e440-4599-91ec-e42d45cf3913/SME+Indonesia+Final_Eng.pdf?MOD=AJPERES&CVID=lj8qhPY

2017b. **Woman-Owned Enterprises in Vietnam: Perceptions and Potential—Executive Summary.** <https://www.ifc.org/wps/wcm/connect/1163db7a-e432-4a9e-9b56-18fd57bde2bb/Women-owned+enterprises+in+Vietnam-Perceptions+and+Potential+-+Executive+Summary.pdf?MOD=AJPERES&CVID=IXbziNo>

3 https://www.unglobalcompact.org/take-action/action/womens-principles/wepps_tool

4 According to the **GAT database**, in 2021, of the APAC 203 companies that completed the GAT assessment as of 15 December 2021, 78.8% had not answered the GRP related question, thus demonstrating that few of them had engaged with the concept of GRP. This level of engagement is slightly lower in APAC than globally, at 79.6%.



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GRP presents an untapped opportunity to disrupt the existing inequity in market dynamics.

The public procurement market (purchasing of goods and services by governments) is worth approximately one-fifth of global gross domestic product (GDP). In addition, public procurement accounts for over 30 percent of GDP in developing countries and 10–15 percent of GDP in developed countries. In the Asia Pacific region public procurement is equal to or higher than the global average,⁵ where WEConnect estimates that globally, only about 1 percent of procurement spending goes to WOBs. Due to the absence of sex-disaggregated data in public and private sector procurement mechanisms, the share of procurement in Asia and the Pacific cannot be determined, but is likely to reflect global trends and the overall weak position of WOBs in the region. GRP could be a game changer for Asia and the Pacific by opening market opportunities for millions of WOBs and GREs.

The review of existing practices in Asia and the Pacific highlights the important opportunity to integrate GRP into public and private sector programmes as a means to enhance supply chains, build equitable and resilient societies, promote women’s economic empowerment, and promote entrepreneurship and inclusive trade. The research also identifies a range of mechanisms and strategies that have been pursued across public and private sectors.

The review also focuses on the distinct role of governments and companies in promoting GRP. Governments have the dual roles of both fostering an environment that can incentivize GRP in the private and public sector, as well as being a buyer that integrates GRP into their own practices. Asia and the Pacific has employed promising examples of strategies pursued, including using preferential treatment such as quotas and set asides. While Asia and the Pacific focuses strongly on promoting women’s entrepreneurship, it has paid less attention to adopting proactive GRP policies and practices to support WOBs and GREs. Based on the recent research conducted jointly by ILO and UN Women, there is no policy and legislative frameworks that explicitly supports or actively promotes gender-responsive procurements among the ASEAN Member States.⁶

Businesses can use GRP as a vehicle for challenging inequality across their value chains, within corporations, and in the broader economy and society. GRP’s multiple benefits include: strengthening brand and business reputation and consumer loyalty, which can increase revenues; increasing staff diversity, loyalty, innovation, and retention as part of the broader corporate commitment to equality and diversity;⁷ and increasing inclusion, diversity, resilience, and innovation in the supplier base.⁸

5 World Bank. Global Public Procurement Database. <https://www.worldbank.org/en/topic/governance/brief/global-public-procurement-database>
6 <https://www2.unwomen.org/-/media/field%20office%20eseasia/docs/publications/2021/06/policy%20landscaping%20to%20weps%20may%2031st%202021.pdf?la=en&vs=3812>
7 UN Women. 2017. The Power of Procurement: How to Source from Women-Owned Businesses. New York: UN Women. <http://www.unwomen.org/en/digital-library/publications/2017/3/the-power-of-procurement>

KEY RECOMMENDATIONS

The review found five key recommendations for governments and business to consider.



Recommendation 1: Raise awareness of the business case for GRP

Progress has been made to create strong evidence to support the business case for gender equality. A total of 4.5 trillion USD could be added to Asia and the Pacific economies by 2025 by advancing women's equality.⁹ GRP provides a pathway to realize this opportunity, yet available data on GRP is still limited. To establish more evidence and data it will be essential to create more alignment on definitions on GRP, and specifically WOBs and gender-inclusive enterprises. Various definitions are used for each of these terms in Asia and the Pacific and globally. Because GRP is a relatively little-known or utilized concept, countries tend to use the broad United Nations definition cited on page 1.

Definitions of WOBs are key to monitoring and tracking GRP, yet few countries in the region have a national definition. Thus, adopting a definition is an important first step to proactively supporting WOBs by helping to identify the share of MSMEs that they represent, and their access to finance and to public- and private-sector procurement. A commonly used definition of WOBs follows the International Finance Corporation definition,¹⁰ which has the advantage of allowing for international comparability. Some countries, such as Indonesia, have adapted this definition to their national contexts.¹¹

In the private sector, some companies in Asia and the Pacific have realized the value of supporting GRP and women-owned companies as well as promoting more gender-responsive business conduct that supports women across their value chain from workplace to marketplace.

Buying from GREs is an important adjunct to GRP. Because this is a new effort, internationally recognized standards for identifying and monitoring gender-responsive businesses have not yet been established, but are being considered (i.e. Women's Empowerment Principles, or WEPs) and can contribute to create a more gender-responsive marketplace at large.



Recommendation 2: Collect sex-disaggregated data to track and monitor

Few Asia and the Pacific governments collect sex-disaggregated data in order to identify and track the proportion of WOBs that are awarded public-sector contracts. To remedy the lack of data, governments and industry associations in each country could facilitate or lead the creation of databases of registered WOBs and allow public and private buyers to access the information. Such a database helps public- and private-sector buyers to identify WOB suppliers and invite them to tender bids. Public and private actors can also consider certification programmes, building on governmental certification programmes or international initiatives such as WEConnect. Governments could require that suppliers provide such basic descriptive statistics and information through government e-procurement systems. By having such data available, government procurement processes can benefit from increased transparency and use the information gathered to promote inclusion and diversity in the pool of potential contractors.

⁹ McKinsey & Company 2018

¹⁰ IFC Definition of a WOB: > 51% owned by woman/women, or > 20% owned by woman/women and (i) has > 1 woman as chief executive officer/chief operating officer/president/vice president and (ii) has > 30% of the board of directors composed of women, where a board exists. (https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/priorities/ifcs+definitions+of+targeted+sectors)

¹¹ On 9 June 2020, the Government of Indonesia launched the **National Women's Financial Inclusion Strategy**, which aims to promote access to finance for Indonesian women in a way that accommodates their diverse needs, interests, and backgrounds. The strategy commits the government to working with relevant government agencies to develop the national definition of women-owned or -led small and medium-sized enterprises.



Recommendation 3: Include provisions in procurement laws to enable GRP

Some Asia and the Pacific governments have adopted key strategies for making public procurement more inclusive. The strategies include increasing the use of e-procurement systems, building capacity to help WOBs apply for government contracts, establishing WOB certification, and simplifying administrative procurement and company registration processes. However, there are few examples of gender-specific provisions in procurement laws that could encourage and support GRP in both public and private sector procurement. Through specific GRP legislation, the government can clarify the ability of buyers to use preferential treatment methods to facilitate WOBs' participation.



Recommendation 4: Tailored solutions should be provided to each country or company's needs to promote GRP

There are myriad ways for companies and governments to increase the number of WOBs in their procurement. These can include having set asides and targets for total procurement spending per year and other forms of preferential treatment, including gender-responsive clauses in supplier codes of conduct, establishing regular spot-checks and audits and reporting on gender in supply chains, building suppliers' capacity to upgrade their facilities, setting policies and approaches to ensure female workers have healthy and safe working environments, and therefore contribute to establish more gender-responsive enterprises regardless of the gender in ownership.

Access to procurement opportunities and tender documentation can be improved by establishing gender-responsive e-procurement systems. Such systems are essential to simplify suppliers' ability to find and collect information on bidding. Increased transparency facilitates planning, saves time and costs for potential suppliers, and increases the quality of bids. This is especially important for small businesses—which include the majority of WOBs.

Bid specifications need to be formulated to ensure that WOBs can be systematically integrated into existing procurement processes. The bid process provides opportunities to strengthen gender aspects in all stages, collect sex-disaggregated data on businesses and supply chains, and ensure use of criteria that do not hinder WOB participation. WOB-specific and certified WOBs databases can be used to ensure that bid material reaches specific groups of WOBs and helps them compensate for their limited experience in financial and bid processes. Preferential payment periods can help to address the structural financial exclusion of WOBs.

Company procurement department staff need to be aware of the importance of GRP and to have clear guidelines, training and continued support to implement them.

To build WOBs' capacities and help them grow their businesses, especially in the high-spending procurement areas where they are under-represented, governments and the private sector should help address the digital and financial gender divides through capacity-building programmes targeted to women entrepreneurs.



Recommendation 5: Incentivize private sector companies to report publicly on gender indicators and disclose their diversity and inclusion policies

Asia and the Pacific governments, industry bodies, regulators and companies themselves should encourage alignment with WEPs recommendations, encourage the use of the WEP Transparency and Accountability Framework,¹¹ and advance company reporting to track and advance gender-responsive business conduct. Indicators should be looking at the overall company level and highlight essential indicators for progress towards gender inclusiveness.¹²

Increased reporting is needed on how companies are advancing their procurement spending through WOBs and GREs. Key GRP measures to report are: procurement spending on WOBs; spending with businesses that have gender equality commitments; and the level of workers in supply chains who receive a living wage, disaggregated by sex.

Procurers in the private and public sector should include monitoring of progress on GRP in procurement sustainability reporting systems. Based on these commitments, suppliers can be held accountable. Contract renewal can include an assessment of suppliers' progress on implementing contract criteria. If necessary this can then lead to remediation measures or, if unsuccessful, contract termination.

¹² Women's Empowerment Principles. WEPs Accountability and Transparency Framework. <https://www2.unwomen.org/-/media/field%20office%20eseasia/docs/publications/2021/03/210323wepsmeguidance2a.pdf?la=en&vs=3150>

¹³ <https://www2.unwomen.org/-/media/field%20office%20eseasia/docs/publications/2021/03/210323wepsmeguidance2a.pdf?la=en&vs=3150>

Partners

The **WeEmpowerAsia (WEA) programme** is a collaborative effort between **the Regional Office of UN Women for Asia and the Pacific (ROAP) and the European Union (EU)**, which is funding the action under its Partnership Instrument. The overall objective of the WEA programme is that more women lead, participate and have access to enhanced business opportunities and leadership within the private sector to advance sustainable and inclusive growth.

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. ADB assists its members, and partners, by providing loans, technical assistance, grants, and equity investments to promote social and economic development. **ADB** maximizes the development impact of its assistance by facilitating policy dialogues, providing advisory services, and mobilizing financial resources through cofinancing operations that tap official, commercial, and export credit sources.