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WITH THE THEME OF 'WOMEN'S LEADERSHIP FOR ENTERPRISE'

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Title: Gender and Procurement in Global Supply Chains – linking power with potential

**GENDER AND PROCUREMENT IN GLOBAL SUPPLY CHAINS – LINKING POWER WITH POTENTIAL**

**Commonwealth Business Women's (CBW) Agenda**

The Commonwealth Business Women's Network (CBWN) was re-launched as 'CBW' at the Commonwealth Business Forum in Perth in October 2011 as a partnership between the Commonwealth Business Council, the International Federation of Business and Professional Women (BPWI) and the British Association of Women Entrepreneurs (BAWE). CBW works to galvanise the enormous potential of female entrepreneurs and businesswomen through a threefold agenda developed after extensive stakeholder input across the Commonwealth and in consultation with the Commonwealth Secretariat:-

1. encouraging more women on Boards and in senior decision-making roles
2. development of gender based procurement programmes
3. access to finance and skills

This is collectively referred to as the 'CBW Agenda for Women's Economic Empowerment.' This paper focuses on the development of gender based procurement programmes.

**Private procurement**

The size of procurement markets is considerable. The average Fortune 500 Company, the majority of which have supplier diversity programmes, spends US\$6m per day on indirect purchasing. Women entrepreneurs are a growing economic force with 34% of firms worldwide having female participation in ownership, and yet women access a limited share of procurement opportunities with their share of corporate procurement estimated at less than 1%.

The access of women-owned, operated and run businesses to trade and procurement opportunities is constrained by a number of factors including limited information on procurement guidelines and regulations and limited knowledge about selection and bidding procedures.

Companies recognise that sustainable and diverse supply chains lead to improved corporate performance. In a 2009 McKinsey Quarterly survey of nearly 2,300 senior private sector executives, those whose organisations invest in women indicated that they are benefiting considerably or expect they soon will. In total, 72% of respondents reported increased profits or indicated the expectation that their profits will increase as a result of their organisations' efforts to empower women in developing countries and emerging markets.

In most countries government procurement accounts for 15% to 20% of GDP, and worldwide, companies spend US\$300bn annually on goods and services. Targeted procurement, that ensures women and other disadvantaged groups receive a fair share of available contracts, holds the potential for enormous benefits for all stakeholders.

Many women-owned businesses are at the smaller enterprise level, hence the need to help women entrepreneurs understand how to benefit from procurement spend as second or even third tier suppliers as is, for the longer term, working with women-owned businesses to move them up the value chain through capacity-building initiatives.

What can be done by developing Commonwealth countries?

In 2010, the International Trade Centre (ITC), BPW International and WEConnect International with others established the Global Platform for Action on Sourcing from Women Vendors with a ten year strategy to link buyers, sellers and institutions to build the capacity of suppliers to meet buyers' requirements, with a particular focus on women business owners in developing countries. It aims to increase the share of corporate, government and institutional procurement secured by women vendors for the ultimate purpose of bringing greater economic benefit to women and their communities.

Over 500 women entrepreneurs, buyers, government representatives and trade support institutions from 48 countries attended the Women Vendors Exhibition and Forum in Chongqing, China (2011) and Mexico City, Mexico (2012) resulting in over US\$20m of agreements to transact business demonstrating clear institutional will and the capacity of women vendors to meet buyers' demands.

The Platform has about 50 corporate members with annual procurement spending in excess of USD700 billion in goods and services, a sellers' network of more than 50,000 business and professional women from suppliers in 40 developing countries and a growing number of trade-support institutions across multiple sectors and countries. Signatories to the Global Platform commit themselves to:-

- Create shared value by sourcing from women vendors that offer competitive products and services;
- Promote the benefits of sourcing from women vendors, educating multinational corporations on the business case and return on investment;
- Share knowledge on policies and practices to increase sourcing from women vendors;

- Support, initiate or improve efforts to integrate women vendors into value chains
- Report to the Platform for Action Steering Committee on activities and impact via an annual survey.

Commonwealth participation in WVEF remains comparatively low, ironic perhaps given that one of the main funders is DFID with only 15 Commonwealth countries participating as suppliers and several conspicuous absences. Moreover buyers came from predominantly US companies with none from emerging economies in the Commonwealth in Asia and Africa.

Holding the meeting in Commonwealth countries will significantly help to drive awareness, involvement and support. The 3<sup>rd</sup> WVEF will be in Delhi 19-21 November 2013 and will bring together buyers and sellers in:-

- IT, Telecomms and BPO;
- The Built Environment including Clean and Green Technology, Construction and Mining;
- Coffee;
- Garments and Apparel;
- Office Products and Services;
- Suppliers to Major International Events; and
- Shipping and Logistics

Through a rigorous selection and matching process, women vendors from developing countries are brought together with senior representatives of corporations, government and trade support institutions. Participation is through a competitive selection process. Women entrepreneurs wishing to apply as vendors must have companies that are:

- In one of the identified sectors;
- 51% or more owned, operated and controlled by one or more women;
- A member of a Trade Support Institution (TSI), or the women entrepreneur herself is a member;

Other factors taken in to consideration are:

- Key business indicators such as number of years in operation, annual turnover and trade volumes;
- Possession of relevant standards and certifications; and
- Buyer interest.

Participants have the opportunity to develop partnerships by engaging in Buyer Mentor Groups (BMGs) in the target sectors, and to further these partnerships through facilitated one to one buyer seller meetings on a selected basis. The BMGs are led by senior mentors who have substantial experience of making buyer seller linkages and have also been tasked with ensuring that linkages are made between women vendors, promoting south-south cooperation. BMGs share information between sellers, buyers and TSIs. There are workshops on trade topics to improve skills and B2B meetings matching buyers and sellers.

Another positive development is a Supplier Diversity and Inclusion Code of Conduct launched in May 2013 and developed by RBS and Merck as a commitment by corporate organisations to provide a level playing field for women owned and other diverse/under-represented suppliers to strengthen marketplaces, promote competitive advantage and enable business sustainability. The Code supports the growth of inclusive sourcing and asks firms to commit to providing equal opportunities within their procurement processes to ensure that diverse suppliers have access to procurement opportunities throughout the supply chain. The Code is guided by the principles of inclusion, development, compliance and continuous improvement.

## **Public procurement**

Fair and non-discriminatory public procurement processes are key to maximising value for money in procurement outcomes for all citizens. Inclusive government procurement policy coupled with effective management of scarce resources can widen economic opportunities for women entrepreneurs and could be one route to using trade as a vehicle for widening the benefits of economic development.

Government procurement is an important dimension of international trade given the size of the procurement market, often 10-15% of GDP of developed countries and can amount to as much as 30-40% of GDP of developing countries. In 2011 UNCITRAL noted that procurement can sometimes command as much as 50% of GNP in some countries.<sup>1</sup> Globally, it is estimated that on average around 17% of global GDP is spent by governments, buying products and services. This means that in 2011, governments across the world collectively spent an estimated USD \$11.94 trillion. These contracts go to privately owned businesses, but they rarely go to women owned, operated and run businesses. Why?

Of 58 countries recently surveyed, only one (the USA) had a legislated policy specifically directed at sourcing from women-owned businesses. Others had similar policies, but none surveyed appeared to actually be in operation. In 2011 the US target was 5% of all products and services purchased by the Federal Government – a target not met.

Careful perusal of typical tendering requirements reveals that SMEs and women-owned enterprises may be disadvantaged by the nature of their size and composition. Widening small businesses' access to public procurement contracts would expand women-owned businesses access to the tendering process.

There is limited gender differentiated data available on government contractors, which suggests that policymakers are unlikely to know the extent to which women entrepreneurs, many of which own or run small or medium sized businesses, are able to successfully win government contracts.

While PPPs have generally tended to either exclude women or minimise the impact that policies will have on them, advancements in technology means that public procurement policy must be reviewed, in the context of increasingly popular e-

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<sup>1</sup> UN Commission on International Trade Law 2011

Procurement transactions.<sup>2</sup> Moreover the increased incidence of Economic Partnership Agreements and Bilateral trade agreements are bringing public procurement considerations under their purview.

The Commonwealth Public Procurement Network (CPPN) aims to strengthen the regulatory oversight and policy-making public procurement bodies within Commonwealth countries, to peer learn and through different forums and encourage the adoption of efficient and effective practices which can be modified to fit the context of member countries. An Africa regional conference of public procurement professionals in Dar Es Salaam, Tanzania in October 2012 found that:-

- 50% of countries have public procurement laws and regulations which do not allow for positive discrimination on the basis of pursuing;
- For those countries that explicitly reference specific groups of suppliers for special treatment, procurement officials indicated they have ‘lots’ of opportunities during assessment of the criteria and/or evaluation stage of the procurement process to address supplier diversity;
- 20% of countries have public procurement laws which mandate the reservation of contracts for supported types of businesses or sectors;
- 90% of the countries stated that splitting the tender requirements into smaller ‘lots’ to encourage more small companies to bid would be appropriate to widen access to government contracts;
- Only one country reported that contracts are disaggregated according to gender, this was specific to contracts in the education sector;
- The average value of contracts issued in US dollars in any financial year were estimated between US\$2 million to 50 million;
- The average size of the most successful tendering companies as measured by estimated number of employees was between 51-250 employees.
- All the country respondents stated that supplier diversity is a useful tool to explore in the context of public procurement. Country respondents further outlined possible improvements to the public procurement regime to widen access to under-represented categories of contractors, including women-owned/managed businesses; such as:-
  - (a) Introduce in the law ‘set-asides’ for certain categories of suppliers;
  - (b) Improve on ‘preference margin’;
  - (c) Improve the capacity of disadvantaged groups to meaningfully participate;
  - (d) Issue public notices to tender, fully explaining procedures and giving equal opportunity for companies to bid;
  - (e) Introduce courses on procurement; provide sensitisation on Public Procurement Act;
  - (f) Include women-owned businesses as an additional evaluation criteria;
  - (g) Introduce standardised bidding documentation;
  - (h) Sensitise policy makers on the benefits of supplier diversity;
  - (i) Partnering the public and private sector in embracing the concept of supplier diversity;

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<sup>2</sup> European Commission 2010

- (j) The requirement of ‘past experience’ in supplying contracts should be minimised wherever possible to provide more opportunities for new entrants;
- (k) Design new legislation to allow for restrictive bidding to include supplier diversity under a specific threshold;
- (l) Hold a workshop to explore ‘supplier diversity’ as it is a new concept to most developing countries that may not be aware. This will provide a platform for discussions to start.

How can Governments take gender equity and equality into account in Public Procurement Policy Frameworks, whilst still addressing concerns of transparency, accountability and ‘value for money’?

- Consider enshrining the basic principles of public procurement policy as an affirmative action tool at the (a) Constitutional level; (b) national policy level; and (c) provincial or regional level;
- Consider that a Public Procurement Policy, which does not explicitly account for the gender dimension, and/or give due access consideration to the supply sector in which women largely predominate; is unlikely to be gender neutral.

More work remains to be done on identifying the analytical gaps to demonstrate how improvements in transparency and widening access to SMEs could have a positive effect on market access for women-owned businesses at a national and international level. It is also important to include the real life experiences of women business owners as well in order to illustrate the barriers faced when competing for business from government agencies. Research is needed to identify women entrepreneurs/female headed businesses who have been successful at winning government tenders; have tried to bid for a government contract on one or more than one occasion without success; or have thought about bidding for government contracts but have been put off doing so.

#### Case studies

**Women Entrepreneurs benefit from Government Contracts in South Africa**

The South African Technology for Women in Business program was launched in 1998 to help protect small enterprises, particularly those owned by women from the impact of globalisation. Access to technology by women in business was identified as central to the creation of opportunities for competitive women-owned businesses. Within two years, a number of South Africa’s business development service providers and parastatals have offered special programs and conditions for women entrepreneurs. Telkom, the telecommunications giant, offers small business women assistance on tender procedures. It also exempts women in business from paying the customary performance guarantee, a condition of being awarded a tender. Such programs are at risk if the government procurement agreement is extended.

Favourable Public Procurement Policy in draft stage in India.

The Indian Union government's MSME ministry is drawing up a public procurement policy which provides that 20% of Central/State government and Public Sector Units (PSE) procurements will be made from MSMEs over a period of three years. The policy is at the draft consultative stage. MSME Secretary Uday Kumar Varma stated 'notification of the proposed Public Procurement Policy will offer a much needed and less optimally used avenue for increased consumption of MSME products by Government departments and Public Sector Units'.<sup>3</sup>

### **Commonwealth Games**

The London 2012 Olympics highlighted the opportunities for supplier diversity even if these were not fully fulfilled.<sup>4</sup> Major sporting events provide a range of opportunities for women-owned businesses and the Commonwealth Games provide an example of approaches in or related to this area.

In its Procurement Sustainability Policy, Glasgow 2014 emphasises the importance of 'procurement processes to enable opportunities for broader supply chain engagement. The aim is to achieve this by awarding contracts, where appropriate, to supported businesses, believing involvement of the third sector is crucial to improving social inclusion, along with delivering good value for money. Through building social inclusion criteria, such as considering the use of apprenticeships, or supported businesses, the Organising Committee hope to build a long lasting legacy commitment and would like to encourage the supply chain to consider adopting a similar approach.'

While not explicitly identifying women-owned businesses, the approach of Glasgow 2014 could have a significant positive impact on such businesses to bid and secure procurement contracts for Glasgow 2014 and may provide a basis for further development for future Games.

### **CBW Business Exchange**

The development of an ecommerce platform has been identified by businesswomen as a priority in discussions at CBW meetings since CHOGM in 2011. This would be a space from and for Commonwealth businesswomen to share experiences, pool resources, relationships and knowledge and would include the CBW Business Exchange – a technology platform which allows businesswomen to not only network but search for business partners, promote individual success, receive and submit tenders, receive online mentoring, participate in webinars and be used as a platform for lobbying.

Subsequent discussions in 2013 have led to the establishment of the CBW Business Exchange Task Force drawn from leading women technology entrepreneurs in the UK, Jamaica, Uganda, Pakistan and Australia (all of whom are members of CBW

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<sup>3</sup> India was accepted as an observer to the WTO Plurilateral Agreement on Government Procurement on 10 February 2010. Observer status is usually a precursor to membership.

<sup>4</sup> Podium and audience comments made at the Business Conference during the African and Caribbean Business Expo, 4 – 10 August 2012 during the London 2012 Olympics of which CBC was a partner.

Leadership Groups) to help develop the proposition of the CBW Business Exchange for funding and market launch.

### **Recommendations**

1. Women-owned businesses from developing Commonwealth countries should promote and participate in ITC's Global Platform for Action on Sourcing from Women Vendors, attend the annual Women Vendors Exhibition and Forum and secure direct contracts with major companies
2. Encourage companies to adopt a Supplier Diversity Program which includes an emphasis on buying from women owned businesses modelled on the RBS developed Supplier Diversity and Inclusion Code of Conduct launched in 2013
3. Encourage governments at all levels and in all countries to implement preferential procurement policies in favour of women-owned businesses and to set targets for procurement from women-owned businesses;
4. Emphasise to women owned businesses (where women own more than 51%) that getting certified as a women owned business will increase their exposure to public and private buyers who embrace supplier diversity
5. Develop opportunities for women-owned businesses to procure from the Commonwealth Games in 2014 and 2017
6. Support and develop the CBW BusinessExchange ecommerce platform