

## A: Investment Concept Title: South East Asia Investing in Women Initiative

## B: Problem/Issue definition and rationale for investment (Why)

### ***Rationale***

While women in South-East Asia are often perceived as facing fewer formal barriers to equality than elsewhere, they still face high levels of violence, discrimination and economic exclusion. Limits on women's participation in the workforce across Asia-Pacific cost US\$89 billion every year.

As many countries in South-East Asia move to middle-income status, continued growth depends on harnessing all productive resources available. Countries will need to increase the size of their formal sector and bring more enterprises and employees into the formal workforce. Female labour force participation in East Asia and the Pacific has actually fallen since 1980, and women-led businesses continue to face disproportionate challenges attracting capital and advocating for their interests, concerns noted in discussions at key regional fora.

Barriers to women's economic participation are underpinned by broader gender inequality. Despite some strong female leaders in the region, women's voice and influence in the public domain remains low in South-East Asia and below the minority threshold of 30 per cent for women parliamentarians to be influential in decision making. One in three South-East Asian women experiences physical and or sexual abuse by their intimate partner.

Increasing women's participation in these economies is one of the most powerful ways to improve economic and development outcomes. Goldman Sachs estimates that closing the employment gender gap in countries like Indonesia, the Philippines and Vietnam could push per-capita incomes 14% higher than current projections by 2020 and 20% higher by 2030.

South-East Asia still contains countries and regions where poverty is entrenched, particularly Burma, Cambodia, Laos and Timor-Leste, and there can be fewer opportunities for formal employment. But social enterprises and companies are increasingly recognising that even very poor women - at the "bottom of the pyramid" - are a significant and powerful customer base. Increased availability of targeted products and services can improve the wellbeing of poor families and their communities. Many enterprises are willing to enter these markets at cost, or at a loss, to improve people's lives and to build a customer base for the future.

Helping employers to recruit, retain and promote women will increasingly boost efficiencies in South-East Asian economies. Supporting women as entrepreneurs will help drive productivity and empowering women as customers develops local markets and improve growth.

This regional initiative will work with the private sector to build support for changes to gender norms in an increasingly integrated regional economy and labour force. Focusing attention on this issue will help build the broad groundswell necessary to create social change and build incentives for reform. Working with country programs, it will develop targeted programs that respond to each country's level of development, national priorities and economic diplomacy strategy.

### ***Why should Australia invest?***

The recent ODE evaluation, *Smart Economics: Evaluation of Australian aid support for women's economic empowerment*, shows that DFAT's support for women's empowerment through private sector and aid for trade programs is weak, and that we need to increase investment in programs that both empower women and support economic growth and aid for trade. This initiative would help meet both the aid for trade and women's economic empowerment goals of Australian Aid.

The Australian aid program, through *Australian Aid: Promoting prosperity, reducing poverty, enhancing stability*, has set a target of 20% of all programs classified as aid for trade by 2020.

Programs in the aid for trade sector deliver significantly lower spending on gender equality than

the average across the aid program (30 per cent of aid for trade programs report a significant gender equality objective and 0.3 percent report a principal gender equality objective, as compared to 50 per cent having a principal or significant gender equality objective overall). Our analysis shows that aid for trade programs in South-East Asia are performing slightly below the average.

Meeting both the aid for trade and gender equality targets will require significantly increased attention to gender equality across all aid for trade investments. This program would not only ensure a significant proportion of scaled up aid for trade programming would be gender focussed, but would be designed to provide leadership and technical support for integrating gender equality into other programs in the aid for trade sectors across South East Asia.

In addition, investing in women's economic empowerment responds directly to Australia's economic diplomacy agenda and the Government's commitment to innovation in how we deliver aid. Australia is a major donor in all ASEAN developing member countries, and we have built close working relationships with partner governments on promoting economic reform. We are often a preferred source of technical assistance as we are regarded as a "neutral" source of advice, and we are good practice leaders in many areas of economic reform. Our active engagement with ASEAN, the EAS and APEC provides us with regional platforms to advocate for change that promotes women's economic empowerment. Our close relationship with other key donors USA and UK, along with our longstanding support for the Asian Development Bank, would strengthen this initiative by facilitating close cooperation and ensuring minimal overlap with existing programs of work.

Australian companies are playing an increasing role in South-East Asia, and we regularly approached by companies wishing to partner with us to advocate for business enabling reform and to improve the conditions for their workers and communities. This initiative will help Australia respond to and support Australian companies working in the region, and will provide an opportunity to create new partnerships with non-Australian companies that wish to promote women's empowerment through their enterprise. We would also build partnerships with South-East Asian companies, which could also benefit our economic diplomacy more broadly.

This program would draw upon three decades of Australian experience and leadership on equal employment opportunity and anti-discrimination work by government, civil society and particularly the private sector. It would engage Australian companies such as Westpac and Telstra which are demonstrated leaders in equal opportunity employment and which have a presence in South East Asia, in addition to other global corporations.

***How is a gender focus different, and how is it innovative?***

Innovation is a key priority of the new aid policy. This initiative proposes new approaches and close partnerships with the private sector, which need to be carefully monitored and tested. Our preparedness to try this will demonstrate our willingness to test new approaches, including in gender programs, with potentially higher returns.

Strengthening women's economic empowerment, particularly through the formal sector, necessitates examination of the business environment in a new way by using a gender lens. We have identified three key points at which we can help empower women through the business environment: through access to capital, particularly for formal sector enterprises and particularly to facilitate the movement from small to medium-sized enterprises; in employment by promoting workplace equity through advocacy and by using capital to value gender diversity in leadership and promote equal rights throughout company value chains, from top management to the shop floor; and by creating products and services that improve the lives of women and girls, such as improved access to pharmaceuticals labour saving devices or sanitary products. These three approaches are complementary, but require innovative private sector-led approaches to be effective and catalytic. This initiative supports each of these three private-sector led approaches and responds

to the Minister's call for Australia to innovatively partner with the private sector to achieve long-term, sustainable growth outcomes.

### **C: Proposed outcomes and investment options (What)**

This initiative aims to support increased economic growth in South-East Asia by increasing and improving the quality of women's participation in ASEAN economies. It will do this by increasing the participation of women in the workforce and as entrepreneurs, improving the number of opportunities and the quality of work for women as employees, and by providing goods and services to poor women "at the bottom of the pyramid" which create improved development outcomes for themselves and their families. As such, the initiative will work with both women experiencing economic mobility through employment, and those less able to access employment whose lives can be made better through the provision of improved goods and services.

Investing in women – as customers, as employees and as entrepreneurs – is the key to increasing women's participation in the economy. The Investing in Women initiative (IWI) would:

1. Respond to the region's need to increase female workforce participation by working with selected private companies to undertake reforms that empower women and increase the quantity and quality of their workforce participation;
2. Respond to identified skill and finance gaps to make women-owned businesses or those that empower women investment-ready. The program would identify suitable small and medium-sized enterprises and work with them to build their business skills, improve their productivity and help them attract investment from private sector fund managers;
3. Support selected partner governments to address gaps in economic and employment regulation to create a regional demonstration effect through regional for a such as ASEAN, EAS and APEC;
4. Improve the lives of poor women by increasing the supply of goods and services that improve their development outcomes, and those of their communities;
5. Build a groundswell of support for shifting unequal gender norms that prevent women's economic participation, by bringing together new coalitions of actors including researchers, private sector organisations, non-government organisations, government, multilaterals, and the media to drive change in gender norms through publishing research, engaging media and running broad based communications campaigns; as well as ensuring that Australian Government aid for trade programs are able consistently to contribute to women's economic empowerment in the region. This could build on existing country programs such as the Philippine's Coalitions for Change or Indonesia's MAMPU.

The initiative would fill a niche by working directly with the private sector and focusing on formal businesses, complementing the approaches taken by South-East Asia country programs such as MAMPU and Cambodia's CAVAC, which to date focus more strongly on micro-enterprise, self-employment and subsistence livelihoods.

The initiative would do this by:

- Working with private companies and governments to improve workplace conditions and to increase the number of employment opportunities for women;
- Improving the business enabling environment for women through programs of targeted national reform and regional advocacy;
- Increasing access to finance for women-run SME's and social enterprises that increase women's empowerment;
- Supporting the growth of enterprises that provide goods and services that improve the lives of poor women;
- Generating regional discussion of the barriers to women's workforce participation with a view to shifting norms, attitudes and behaviour;
- Increasing awareness of the challenges facing women as entrepreneurs and employees

through key international fora; and

- Increasing the global knowledge base with Asia-focused and practical research on ways to increase women's economic empowerment.

The recommended implementation approach for this initiative focuses on using private sector partnerships, the exact nature of which will be identified by the design. Private sector partnerships would enable the initiative to leverage the knowledge and experience of private sector companies, and, by working with them, build support for national reforms.

A range of other options were considered, including:

- Partnerships with donors such as DFID, USAID on existing programs: At this time, both USAID and DFID are developing larger-scale initiatives focusing on the business sector which aim to identify and develop enterprises that achieve social outcomes. These will be examined in more detail during the design phase and partnerships will be explored. We understand that these initiatives are strongly (although not exclusively) focused on their own national private sector partners, and are strongly branded as US/UK initiatives. They are often part of larger global programs and it is unlikely they would maintain the strong South-East Asia focus we seek given the relative scale of their work in the region.
- Joint approaches with UN Women, the ILO or World Bank: while we intend to explore partnership with these organisations for specific activities, this initiative has a strong national interest and relationship-building approach. This initiative would support and help build new dimensions to Post's relationships with businesses and national governments, and as such needs to be led by Australia rather than a partner multilateral.
- Working with NGOs: this initiative is deliberately private-sector focused, and proposes a deeper relationship directly with the private sector than has often been the case in enterprise-focused initiatives to date. We anticipate that a number of not-for-profit enterprises may be interested in working with us, and we fully anticipate that not-for-profit enterprises will form part of this program, and may indeed be delivery partners. This will be tested through open and transparent competitive tenders and calls for proposals. Individual companies may also identify NGOs as delivery partners – for example, USAID's PACE partnership with GAP Inc. works with Care to provide services to its workers. We anticipate there will be similar opportunities in this initiative.
- Funding national-level projects, rather than using a multi-country and regional approach: ASEAN and the EAS are important fora through which Australia can advocate strongly for improved economic opportunities for women. Regional engagement enables us to use these fora to maximum effect, as well as minimising the load on individual Posts and creating economies of scale through the facility, while multi-country coordination ensures national programs respond to identified needs and programs of work. Constrained resourcing at Posts requires a design that minimises staffing and complexity.

The initiative would work primarily with ASEAN developing member countries, namely Burma, Cambodia, Indonesia, Lao PDR, Philippines, Timor-Leste and Vietnam.

#### **D: Implementation/delivery approach (How and with whom?)**

Australia's national interest and the importance of our relationships with partner governments and with Australian businesses guides the implementation approach recommended here. This approach would deliver strong Australian branding, highlight Australia's role as a leader on women's economic empowerment, and both support and be strengthened by Australia's advocacy on women's empowerment through ASEAN, APEC and EAS.

This initiative has been developed to respond to the needs of an integrated department, and as such will provide substantial opportunities for public diplomacy and engagement with the private sector, particularly Australian companies in Asia. As such, its success would depend equally on

innovative development thinking and diplomatic leadership. The initiative would provide support to programs in aid for trade sectors across the region to ensure women's economic empowerment was fully integrated to our initiatives, and ensure lessons learned were shared across the region.

The approach will be developed in a context of constrained resourcing, and a light-touch management approach will be a critical part of the design. A single facility will connect and manage administrative and programmatic aspects and act as a resource for women's economic empowerment initiatives in our country programs. A critical **first step for the facility would be to identify the existing country-specific constraints to women's economic participation, and to work with key Posts to develop action plans for partnerships** with South-East Asian governments.

Country programs may choose not to participate in every component, recognising the different stages of development of the countries in South-East Asia and the differing strategic direction of programs. The three components are:

1. **Business Partnerships for Empowerment:** We would bring together leading private sector organisations in the region to commit to equal employment opportunity and the equal recruitment and promotion of women at all levels. Each participating company would take defined actions in line with their corporate context. These actions would be evaluated in real time to identify what works in different situations, creating a body of knowledge that can be developed and disseminated through the Facility and which would provide lessons learned for future public-private partnerships. Building relationships between the private sector and Australia's representatives at Post would be critical to the success of this activity. Early discussions with leading Australian companies Telstra and Westpac have generated strong positive interest. Partnerships with large South-East Asian companies will also be explored.
2. **Investing in Women Enterprise Development Hub:** We would establish an Enterprise Development Hub to prepare small and medium enterprises that empower women for investment by private investors (impact investors). The Hub would work directly with three types of enterprises: those which provide goods or services responding to the needs of poor women and which create positive social outcomes; those which create new and high-quality jobs for women; and those led by women. The Enterprise Development Hub would work closely with these enterprises to identify and address critical barriers to their ability to attract investment, including through training, mentoring and the provision of business support services. By focusing on SMEs (not micro-enterprises) the Hub would work in an uncrowded but demanded space, and will complement work done by other donor partners (such as USAID) and national programs which focus more strongly on micro-enterprise. Wherever possible, we would seek to ensure that enterprises graduating from Australian or other micro-enterprise programs could work with the Hub, ensuring our investment in these enterprises is fully realised.
3. **Government Partnerships for Empowerment:** We would work bilaterally with partner Governments to mutually agree to reforms that deliver equity of opportunity for women as entrepreneurs and employees, and support these partners to implement them. We would focus particularly on key constraints to equitable private sector development where Australian expertise is strong such as gender focused regulatory and banking reform, anti-discrimination policy and regulation, family-friendly and flexible workplace policies, and work standards, and where partner government demand and commitment to reform is strong. Through advocacy at key regional fora (ASEAN, EAS and APEC) Australia will promote women's empowerment and action to build on work currently underway.

A facility would manage the initiative's work program and support DFAT's country programs to effectively integrate gender equality to achieve both the gender equality and aid for trade development targets. It would help share knowledge and lessons learned from initiatives such as MAMPU, Coalitions for Change and CAVAC throughout the region.

The facility would be designed to require as few DFAT management resources as possible, recognising our critically constrained resourcing environment. It is anticipated that at minimum two additional positions would be required to manage the facility, with funding available from the administered budget. Additional resourcing requirements at Posts will be assessed during the design phase, but we recognise that effective management of the facility will be critical to the success of this initiative. IWI would be developed to build on existing bilateral activities in response to feedback from country programs.

It is proposed that the Enterprise Development Hub could be a separately tendered contract, but its operation would be overseen by the facility. This proposal would be tested during the design phase and a recommendation made based on greater consultation and more detailed assessment of options.

The 2014-15 funding available for this program will support initial work with Posts, and will also be used to contract key partners to undertake initial analytical work to inform the design and early implementation of the initiative. These agreements would be novated to the facility on inception and form the basis of coalitions of actors that would help drive outcomes. Funding will also support the design process and the establishment of the initiative.

#### **E: Risk assessment approach (What might go wrong?)**

This initiative engages extensively and directly with the private sector, and would therefore entail a commensurate level of risk. **An essential first step in the design process will be a feasibility study to determine how well this initiative fits with existing and planned programs, both at the country and regional levels,** in order to identify where IWI can leverage off existing effective investments and relationships. Detailed country-level assessments will form part of this process, both to identify possible challenges and risks clearly at the country level, and to map programs of work based on specific country conditions and needs. These assessments will also include analysis and proposal of management arrangements, with recommendations for models of the regional and country level implementation. This will ensure that the initiative responds clearly to existing work programs and avoids duplication.

**Management risk:** the facility would manage the day-to-day running of activities under this initiative, including oversight of the Enterprise Development Hub. To minimise the potential for conflict of interest, a separate contract would be tendered for the Hub. Constrained aid staff resources mean that the facility must be effectively managed by a minimum number of staff and the design of the facility would be critical. It will be important to ensure the requisite staff can be recruited. Staff from both the Bangkok Hub and ACD would work on the facility design to ensure it is best-practice. **Communication** between the facility and post-based programs will be crucial to the success of the program, and the design process will focus on ways to ensure lessons learned are disseminated effectively, gender policy capability is strengthened and close communication is ensured between the gender thematic sections, the facility, and responsible staff at Post (including, but not limited to, gender focal points).

**Coordination risk:** each country program contains a range of initiatives, some of which work in similar areas, particularly business enabling environment reform and support for women's microenterprises. This risk will be carefully addressed by a mapping exercise early in the design, which will also explore opportunities for partnerships to ensure as little diversion or confusion with existing programs as possible. The initiative will focus on larger enterprises which are not serviced by existing programs, avoiding the more crowded microenterprise space.

**Investment risk:** The success of the Enterprise Development Hub depends on identifying and developing enterprises to become investment-ready. Risk factors include: not enough potential enterprises are identified; technical assistance is unable to develop skills to the point where

enterprises become investment ready; investors choose not to invest in enterprises that we have worked with; enterprises that we work with are unsuccessful at an unacceptably high rate, damaging our reputation as a partner with investors; enterprises that we work with engage in activities that are contrary to the goals of the program. Some enterprises may have already been identified by country programs, including through their existing initiatives. The design would work to set clear milestones and achievement levels for each risk, and we would monitor these risks in real time to ensure rapid mitigation if required. As a stand-alone component, the Enterprise Development Hub can be quickly shut down if the risk is deemed to be unacceptable.

**Political risk:** working with government partners exposes Australia to the usual risks, including the risk of policy instability, back-tracking on previous commitments; lack of political will to reform, and risk of partner corruption. These are the usual risks we face in many contexts, and would be managed carefully and in line with Department good practice. In addition, working with the private sector brings reputational risk in the event that companies and enterprises exhibit bad behaviour. Careful due diligence would be required.

**Safeguards:** as an Australian initiative, our safeguards would be written into the design of the facility and the Enterprise Development Hub, requiring all activities adhere to our standards. Enterprises assisted through the Enterprise Development Hub would be required to satisfy Australia's standards in regard to child protection, environmental protection and displacement and resettlement. Our work with government and private sector partners would be carefully identified with reference to our safeguards, and would only proceed where we are confident no problems would arise. If it is felt necessary, private sector partners would be asked to agree to our safeguards.

#### **F: Proposed design and quality assurance process (What are the next steps?)**

The design process will clearly **articulate the case for funding** and will confirm country and regional program contributions.

As regional program with multi-country aspects, **a critical first step is to map existing business and women's empowerment programs both at the country and regional level.** A number of existing and proposed initiatives (e.g. MAMPU, Laos Trade Development Facility, Mekong Business Initiative) contain elements of the initiative proposed here. The first activity undertaken during the design phase will be a feasibility study to comprehensively map relevant existing and planned programs supported by DFAT and other donors. The design team will consult with managing staff about areas of overlap and complementarity, and, based on the feasibility study, will create an initiative plan which will form the basis for the detailed design. All programs would have an opportunity to review the feasibility study to confirm its findings before the design process proceeds. Year one investments will be identified, and will support the design process and catalytic work within the region for the initiative.

The design team will be contracted and a feasibility study commenced immediately following approval of this ICN, with the design phase commencing in early 2015. The mapping, feasibility study and design process will include the following:

- Analysis of country specific opportunities and constraints;
- Initial identification of DFAT's existing and planned investments, taking into account program consolidation and forward pipeline plans,
- Identifying opportunities to leverage established DFAT aid relationships within this initiative;
- Identification of the financial and staff resourcing model required for effective implementation, including recommendation of an appropriate location for management and operations (Bangkok or Canberra);
- Define the approach for implementation and management at the regional and country-

level, distinguishing between countries that contribute specific finance and those that don't;

- Outline indicative country –level plans that identify which components of the initiative are most feasible and best suit country needs and opportunities for early operations.
- Initial identification of pathways to improve the lives of women through increased and better employment, improved goods and services, and improved business environments, including potential partners;
- Role for information exchange of innovative practice, lessons learned within the region-within DFAT and other partners;
- Role DFAT programs to access specific gender and entrepreneurship expertise within the region for broader programming.

Quality assurance of the design would include a peer review with a number of technical specialists within DFAT. Independent technical appraisal would also be carried out by a gender specialist and private sector development specialist.