

How to empower women-led businesses and make public procurement more inclusive



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INSIGHTS REPORT

How to empower women-led businesses and make public procurement more inclusive



Countries that are working on open contracting have evidence that pushes them to identify the gender gap in suppliers. The evidence is compelling, and it forces you to act.

—Trinidad Inostroza
Public Procurement and Public Management Consultant,
Former Director of ChileCompra

Public procurement represents a huge opportunity to build a more inclusive economy, increase the participation of women-led businesses, and promote gender equality.

Public procurement is the government's largest marketplace and governments engage at all levels of the procurement process. Governments can leverage their roles as “market regulators” via procurement policies and as “market participants” as purchasers of goods, works and services to promote equity and equality.¹ These powers combined have the necessary influence to shift market behaviour and stimulate economic activity, towards gender equality goals.

Gender-responsive procurement is defined as the selection of goods, civil works or services that take into account their impact on gender equality and women's empowerment.² A new research report by the *Open Contracting Partnership* and *Value for Women* explores the barriers facing women-led businesses in public procurement and gender-responsive policies that promote empowerment and inclusion.

This research identified key challenges faced by both governments and women-led businesses as well as innovative practices in the open contracting community.

THE OPPORTUNITY: inclusion and prosperity

It is well documented that investments in gender parity can unlock a host of benefits for society. Estimates suggest that if gender parity were achieved across a host of economic outcomes, global gross domestic product (GDP) would increase by USD \$28 trillion by 2025.³

There are 7 million women-owned small and medium-sized enterprises (SMEs) in the formal sector in emerging markets.⁴ As women-led businesses tend to hire more women,⁵ supporting them creates a multiplier effect that extends beyond the business into the wider community.

More diversity in the supplier base leads to greater sustainability in the supply chain and the type of products and services that governments can offer. Women can bring innovation to the services and products provided by the government, particularly by ensuring that services and products that will benefit women are also designed by them.

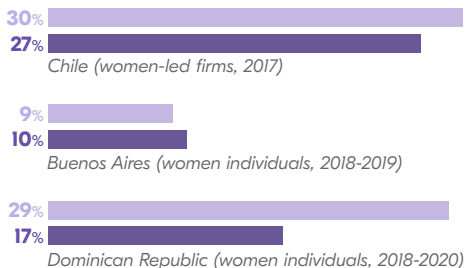
THE REALITY: low rates of participation

While data is scarce, studies show that women-led businesses are underrepresented among government suppliers around the world.

A recent study of procurement governed by the procurement directives of the European Union found that 26% of managers for government suppliers are women, and as few as 16.5% of suppliers of large value contracts have mostly women on their management teams.⁶ Women-owned businesses only get 4.7% of federal contracts in the United States, and only 10% of the Canadian government's SME suppliers are women-owned.⁷ In the Dominican Republic, Chile, and the City of Buenos Aires, where our research was focused, women's representation⁸ in public procurement was similarly low.⁹

Share and value of contracts awarded to women-led firms

- Women's share of contracts awarded
- Value of public procurement contracts awarded to women



[Data as of May 2020. For Chile, the numbers represent women-led firms as identified in the procurement system. In Buenos Aires and the Dominican Republic, we refer to suppliers that are women entrepreneurs and sole proprietors as identified by their name in the supplier registry or demographic data.]

Barriers faced by women-led businesses in public procurement



*I have been running a company for a long time that has a **presence in ten countries**. However when I go to the bank [to discuss credit lines] I get asked: where is your partner? In the past, when I finished my business pitch, one of the judges said that they believed in my business but were not going to invest in it because **I am a woman**.*

— **Laura Garcia**
Vice-President Voces Vitales and
President GlobalNews Group



Lack of access to finance

Women entrepreneurs' lack of access to finance limits their ability to acquire the working capital needed to apply for government contracts. Issues with payment delays in public procurement means that businesses need access to finance in public contracting.



Gender biases and norms

Gender norms and assigned roles (such as bearing primary responsibility for unpaid care work, including childcare or sick relatives), translate into greater time restrictions for women. They can also have a negative impact on self-confidence, as these essential roles are under-recognized and valued.



Operating on a smaller scale

In Latin America, Sub-Saharan Africa, and East Asia, women lead, on average, 23% of small businesses compared to 11% of large businesses.¹⁰ The smaller size hinders their capacity to meet the requirements of large government contracts.



Lack of knowledge of tender opportunities

Experts interviewed said they did not have timely information about procurement opportunities and procedures.



Perceptions of corruption or bias

Experts interviewed said women entrepreneurs believed corruption and bias impaired the fairness of public procurement processes, with a perception that contracts were typically awarded to members of the 'boys club'.

Challenges faced by government reformers



For a government to implement a supplier diversity program, it will have to analyze and readapt its procurement processes; understand the implications of the changes that will be required, especially on people; and understand the entire decision-making process in order to implement an inclusive strategy.

— Andrea Lizaraburu

Regional Director for Latin America and the Caribbean,
WEConnect International



Difficulty in identifying women-led businesses

Many governments do not have a definition of a women-led business and do not have gender-disaggregated data about bidders and suppliers.



Weak feedback loops to engage diverse groups

Many procurement officials lack formal and informal mechanisms to inform, engage, and act on the feedback of diverse business communities.



Negative perceptions impact bids

Experts interviewed said preconceived beliefs that women can only lead microenterprises or businesses in certain sectors affect how women's capabilities are perceived in the bidding process.

Recommendations



Procurement systems cannot only be seen in regard to their contribution toward transparency and the fight against corruption. They also provide significant input to public policy as they provide a lot of strategic information that can shape the support governments provide toward the development of different sectors.

— Yokasta Guzman
Director of Public Procurement in the Dominican Republic

Procurement reform is hard and messy. The open contracting journey acknowledges these challenges and this section provides key recommendations for governments seeking to redress gender inequalities that prevent women from accessing public procurement opportunities based on the desk review and expert interviews.

We have identified the following key actions that can be carried out by governments to empower women-led businesses and make public procurement more inclusive.

Understand users and stakeholders

- Define what a women-led business means in your context (and any other under-represented groups as well).
- Identify women-led businesses in data from procurement systems and/or company registers.
- Understand gender gaps and challenges. This can be done through workshops, user research and data analysis with key stakeholders within the government, entrepreneurs and civil society.
- Develop engagement and feedback mechanisms for women-led businesses. This is particularly important for groups of women who may have less access to information and formal networks, such as those living in rural areas, or those who belong to an under-represented group.

Plan a gender-responsive procurement strategy

- Make a commitment to gender equality and develop a strategy for gender-responsive procurement.
- Build capacity to implement gender-responsive procurement through training and operational guidelines. These should be targeted at senior leadership and public procurement officers.

Make contracts open by design

- Publish information about the planning, tender, award, contract and implementation of public contracts to demystify the process and empower businesses with access to information.
- Publish standardized open data in the Open Contracting Data Standard to enable customized in-depth analytics and re-use of the information. Understanding the available opportunities and the size of the market in a particular sector will help businesses to decide if applying for government contracts is right for them.

Simplify contracting processes

- Simplify application procedures and tender requirements by streamlining and standardizing tender documentation and prequalification procedures.
- Reduce the size of tenders and contracts.
- Establish appropriate award criteria and requirements that take the resource constraints of women-led businesses into account, prioritizing only those that are essential for the delivery of the work.

Develop prompt payment guidelines and regulations

- Ensuring prompt payment can give women-led businesses more confidence to bid. If businesses are not paid on time, they may have difficulty getting access to bridge financing.
- Provide business support services for women-led businesses so that they have the right tools, capacity, and skills to become suppliers. Activities can include business advisory services, bid training, and supplier credit initiatives.

Increase supplier capacity

- Facilitate the creation of a gender-responsive public procurement market by engaging diverse stakeholders such as banks and financial institutions, business

development service providers, non-governmental organizations, business networks, and professional associations and corporations.

Nurture an inclusive public procurement market

- Foster an inclusive entrepreneurship ecosystem by generating spaces for the joint development of initiatives that strengthen women's entrepreneurship and support gender-responsive procurement programs.

The full report is available at www.open-contracting.org/gender.

About Value for Women



Value for Women is a women-led global social enterprise that works closely with partners to design and implement research, technical assistance programs, evaluations, tools and blended capacity-building initiatives in Africa, Asia and Latin America focused on impact investing and the small and medium enterprise space. VfW helps organizations to advance gender inclusion. We believe that women are key drivers of economic and social growth, and that women's inclusion is essential for better business outcomes. We identify and test new solutions that foster inclusion while unlocking the powerful economic potential that women hold. Specifically, we support investors seeking business and social returns in diverse sectors, such as finance, agriculture, and clean energy by providing research and technical advisory support.

About the Open Contracting Partnership



The Open Contracting Partnership is a silo-busting collaboration across governments, businesses, civil society, and technologists to open up and transform government contracting worldwide. We bring open data and open government together to ensure public money is spent openly, fairly and effectively. We focus on public contracts as they are the single biggest item of spending by most governments. They are a government's number one corruption risk and they are vital to ensuring citizens get the services that they deserve. Spun out of the World Bank in 2015, the Open Contracting Partnership is now an independent not-for-profit working in over 50 countries. We drive massively improved value for money, public integrity and service delivery by shifting public contracting from closed processes and masses of paper-work to digital services that are fair, efficient and 'open-by-design'.

Gender-responsive procurement – entry points and recommendations



Understand users & stakeholders

-  Define and identify women-led businesses
-  Develop feedback and engagement mechanisms with women entrepreneurs and business-people

Plan a Gender-Responsive Procurement Strategy

-  Make a commitment to gender equality and develop a strategy for gender-responsive procurement
-  Build capacity to implement gender-responsive procurement

Make contracts open by design

-  Publish information about public contracting from planning to implementation
-  Use standardized open data to publish contracting information to enable analytics and reuse

Simplify contracting processes

-  Apply a gender lens to contracting requirements and payments

Ensure prompt Payment

-  Ensure suppliers are paid promptly, reducing the need for access to finance

Increase supplier capacity

-  Provide business support services for WLBs

Nurture an inclusive public procurement market

-  Link procurement policies with social and gender policy objectives

Effort:

 Medium

 Medium - Long

 Quick win

Endnotes

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2. *ibid.*
3. McKinsey Global Institute, (September 2015), "The Power of Parity."
4. Goldman Sachs. (2014). "Giving Credit Where It Is Due: How Closing The Credit Gap for Women-Owned SMEs Can Drive Global Growth". Global Markets Institute.; IFC Enterprise Survey Database. World Bank.
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6. Fazekas, M. & Kazmina, Y. & Wachs, J. (2020). Gender in public procurement: Extent, distribution, and impacts. European Bank for Reconstruction and Development.
7. Riding, A. & Orser, B. & Liao, D.. (2018). Benchmarking Small and Medium Enterprises as Suppliers to the Government Of Canada Inclusion, Innovational and International Trade
8. Baselines were taken by assessing the percentage of individual or sole proprietor suppliers that were women. In Chile and the City of Buenos Aires, the procurement agencies have developed definitions for women-led businesses for legal business entities. In Chile, more than 50% of the company needs to be owned by a woman or the general manager or legal representative needs to be a woman. In the City of Buenos Aires 50% or more of the capital needs to be held by a woman or women, and 50% of the control or management need to be in charge of women.
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