

TOOL 2.8

Guidance Note on Women-Owned Businesses and Public Procurement in Cities

- » **GOAL:** Provide guidance for cities on how to gender diversify public procurement and support the growth and thriving of local women-owned businesses in the municipality
- » **TARGET UNITS:** City leadership, city procurement departments

Public procurement accounts for around one-fifth of global gross domestic product, and yet women-owned businesses secure only around 1% of these contracts by value³⁵. In emerging markets, public procurement represents an even higher share of GDP (at around 30%). Public procurement is therefore a powerful tool that governments and municipal authorities possess to accelerate gender-inclusive economic growth and reduce gender gaps in the labor market, while also realizing the benefits of gender-diverse suppliers that are enumerated elsewhere in this tool suite.

World Bank research indicates that women-owned businesses are most predominant in the small and medium enterprise (SME) sector, accounting for around 40 percent of the market. Targeting support to this sector is therefore already a helpful proxy for increasing support to women-owned businesses. Given the importance of small businesses in job creation, cities adopting this approach can effectively leverage their procurement processes to bolster local economic growth, increase employment, and ultimately generate more tax revenues. Ensuring the inclusion of women is central to realizing the economic gains from diversification of city procurement systems. It is important to note that cities may be prohibited by local ordinances or national legal frameworks from introducing preferential access policies for women or minority-owned businesses. In other jurisdictions, such as South Africa for example, the opposite may be true—legal measures may compel city governments to introduce positive discrimination to redress the economic disadvantages suffered by historically marginalized groups. However even without preferential access policies, cities still have several measures at their disposal to improve diversification in public procurement.

Approaches for Cities to Consider

1. Creating a baseline of data

To design appropriate interventions and set realistic targets for improvement, cities must start with an assessment of their current procurement performance. **TOOL 2.2** provides

³⁵ World Bank Group, *Benchmarking Public Procurement 2016: Assessing Public Procurement Systems in 77 Economies*, 2016.

a comprehensive self-assessment tool that municipal corporations can adapt to gather data. From this tool, key questions for cities to consider include:

- Where do businesses register themselves as potential suppliers for city contracts? Does this happen online, or in person at an office, or via a third-party organization? How accessible is the process for micro, small and medium enterprises?
- Does your city require/enable businesses to identify as women-owned, and if so, what are the criteria used? Does the city differentiate between women-owned businesses, and those that employ majority women?
- Are there incentives or benefits in place for women-owned businesses (i.e., is there preferential contracting for women-owned businesses)?
- What are the main barriers faced by women-owned businesses in the municipal area? Which organizations are helping to meet these needs, and where do gaps remain?
- Where are city contracts advertised? Are all contracts and awards publicly accessible online?
- What number and percentage of suppliers registered on city databases are women-owned?
- What is the current absolute dollar value and percentage of city contracting annually going to male-owned versus female-owned businesses?

2. Tackling asymmetries of information

One of the main reasons for the low proportion of women-owned businesses in public procurement spend is asymmetries of information—lack of knowledge of contracting opportunities and how to apply for them. Active outreach efforts are required by cities to seek out and help register more women-owned businesses to their municipal database, ideally working with trusted local partners such as trade associations or NGOs which already have connections to female entrepreneurs. In some cities, including the U.S. city of Charlotte for example, municipal authorities have invested in training city staff to be more active in seeking out local SMEs and helping them to register on the public procurement database³⁶. Barriers to entry for firms wishing to register as vendors to bid on city contracts should be as low as possible, so that micro enterprises are also able to participate in relevant tenders.

3. Including gender criteria and/or certification for women-owned businesses

Gathering gender workforce data from businesses bidding for public contracts can be a useful way for cities to understand the impact of procurement on indirect employment

³⁶ Elizabeth Reynoso and Kristen Scheyder, [“Five Cities that are Buying into Equity.”](#) Living Cities, 2017.

and to flag to suppliers that gender inclusion is a municipal priority—incentivizing suppliers to recruit more women without explicitly making gender performance a criteria of bid evaluation. In Chile, for example, the public entity leading gender action planning on procurement, ChileCompra, launched the Sello Empresa Mujer (Women Supplier Certification) scheme in 2015 to help procuring entities identify women-led enterprises, as well as those with a more than 50 percent female workforce. The certification can be requested as an evaluation criterion to be included in tender documents or to demonstrate social impact in direct contracting bids below US\$700. In combination with other measures such as training, formation of women’s associations, and regulatory reforms, Chile’s program has achieved impressive results. The share of women participating in the public procurement system reached 36.5 percent in 2016, a figure that corresponds to more than 21,345 women quoting on tenders, offering contract terms, or receiving purchase orders. In comparison, women-owned businesses in the United States secure fewer than 5% of federal contracts³⁷.

4. Training, mentoring, and networking

To actively support women suppliers and build a pipeline of more successful women-owned businesses, cities can implement additional programs. Training covering topics such as leadership, financial management, confidence building, and marketing can offer direct skills to participating entrepreneurs while also providing the benefit of a certification from a city-endorsed training scheme. Furthermore, entrepreneurs can network—face to face or online—with other participating small businesses, leading to potential partnerships, peer support, and other useful collaboration to promote the role of women in public procurement. Cities may also consider a mentorship program; this was another successful component of the approach taken in Chile, where participating suppliers received customized assistance to help increase their business opportunities with the state. The program followed a ‘group mentorship’ methodology, supported by an expert in entrepreneurship coaching. Its goal was to develop and boost personal and interpersonal skills in a way that would have a positive impact on participants’ business with the state³⁸. Meanwhile in the U.S. city of Houston, the Department of Public Works and Engineering is has introduced a mentor-protégé program that enlists successful city engineering contractors to build relationships with subcontracting firms. The goal is to move firms owned by women and entrepreneurs of color from subcontracting to prime contracting. Mentor firms help protégés acquire new skills, learn new business practices, and strengthen project bids³⁹.

³⁷ Chatham House, [Gender-Smart Procurement Policies for Driving Change](#). 2017.

³⁸ Ibid.

³⁹ Living Cities, [“Four Innovative Procurement Tactics Cities are Using to Increase Equity.”](#) 2017.

5. Presenting case studies of success to encourage greater female participation

In order to showcase the experience of female entrepreneurs to buyers and the public, cities can design information campaigns to share the successful stories of female suppliers. In so doing, cities not only encourage more women entrepreneurs to bid for public contracts, but also have an opportunity to more widely advertise the range of programs and initiatives they have put in place to level the playing field.