

# Policy Brief on Public Procurement

## How can public procurement be leveraged for social inclusion and economic empowerment of vulnerable groups?

### Key highlights

- Inequality is one of the most pervasive issues in LAC countries, which entails disparities in access to economic opportunities, for example, for vulnerable groups (e.g. minorities, women, etc.). In fact, marginalised communities often face disproportionately limited access to opportunities and resources.
- Governments are the largest purchasers of goods, services and works in many industries and, therefore, a key source of demand in those sectors. This buying power gives governments a strong lever for promoting strategic objectives, such as social inclusion.
- There is wide room for LAC countries to further leverage public procurement for inclusion purposes, but specific actions are required, such as i) removing barriers to the participation of SMEs by streamlining procurement procedures and upgrading e-procurement tools; ii) gradually engaging and building capacities in the supplier community to support social inclusion objectives; and iii) professionalising the public procurement workforce.

### What's the issue?

Inequality, understood not only as income inequality but also as the unequal access to opportunities, public services, and political representation, has been one of the most pervasive issues in LAC countries. In the two decades running up to the COVID-19 pandemic, most countries in the region made significant progress in reducing income inequality. Nonetheless, it remains high and continues to hinder social and economic cohesion among population groups.

The intersection of economic disparities and social inequalities also compounds the challenges faced by marginalised groups in LAC countries, including women, minorities, and indigenous communities. For instance, inequalities intersect at all stages of women's lives, limiting their

empowerment opportunities and perpetuating gaps in areas such as employment, hindering progress towards a rights-based social transformation that would benefit all social groups.<sup>1</sup>

Indeed, marginalised communities often face disproportionately limited access to opportunities and resources, and gender-based inequalities prevail, with women encountering barriers to economic empowerment and decision-making. In this context, the pursuit of inclusion is imperative to address and mitigate these inequalities. Inclusion entails actively involving all segments of society in policy discussions, decision-making processes, resource allocation, and economic opportunities.

Public procurement refers to the many ways in which governments plan, source and manage the acquisition of goods, services and works using a range of contractual arrangements and purchasing tools.

Across OECD countries, public procurement on average represents 12% of GDP and close to 30% of general government expenditures, on average. Governments are the largest purchasers of goods, services and works in many industries and, therefore, a key source of demand in those sectors. Public procurement has a strong impact on all forms of public service delivery, as reflected in sectoral spending, from health to environmental protection, education, public order, or economic affairs. This buying power gives governments a strong lever for promoting strategic objectives, such as social inclusion.

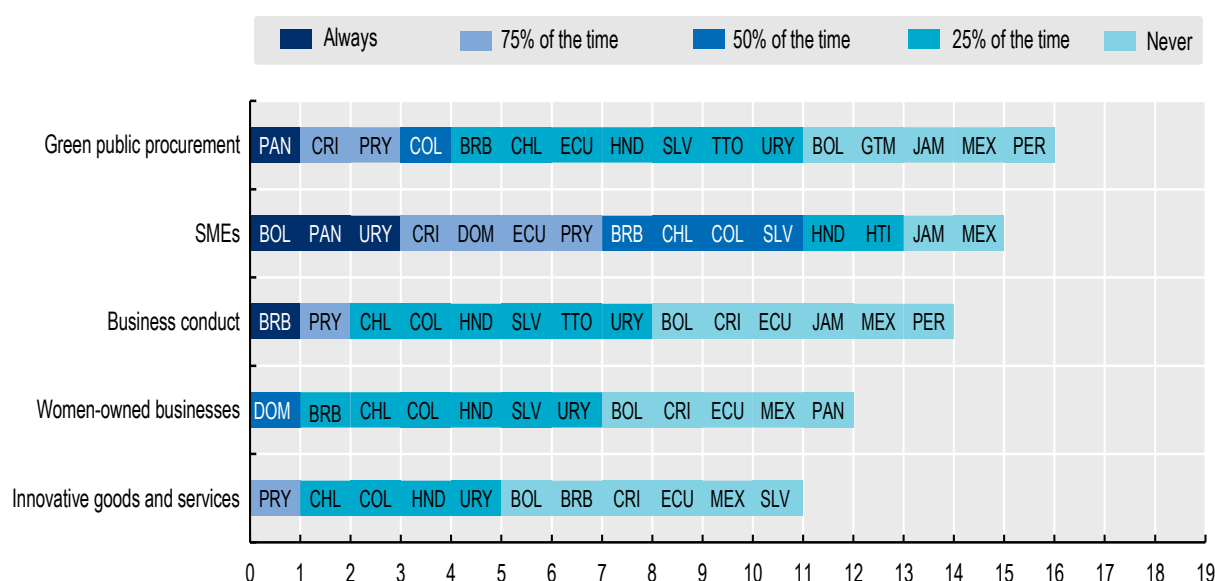
The Survey on the Implementation of the 2015 OECD Recommendation on Public Procurement found that 16 out of 19 surveyed LAC countries (84%) report having policies or strategies in their central public procurement systems designed to pursue one or more social objectives, such as the inclusion of SMEs, either at the central level or by procuring entities (14 out of 19 countries, or 74%). However, only six of the surveyed LAC countries have policies concerning the inclusion of women-owned enterprises (31%).

Social objectives can be used as a criterion to award procurement bids. The criterion used most frequently in LAC is whether a proposal considers SMEs (11 out of 19 countries reported using this 50% of the time or more). However, the inclusion of women-owned businesses could be further leveraged as only the Dominican Republic uses it as an award criterion 50% of the time and countries like Bolivia, Costa Rica, Ecuador, Mexico, and Panama never use it (see Figure 1)

**Figure 1: Frequency with which contracting authorities integrate policy objectives as award criterion, 2022**

---

<sup>1</sup> OECD (2024), *Government at a Glance: Latin America and the Caribbean 2024*, OECD Publishing, Paris, <https://doi.org/10.1787/4abdba16-en>.



Source: OECD (2024), *Government at a Glance: Latin America and the Caribbean 2024*, OECD Publishing, Paris, <https://doi.org/10.1787/4abdba16-en>.

### Examples from OECD countries and/or LAC countries

#### *Engaging SMEs in the public procurement market in Chile*

Chile continuously engages with SMEs and business associations to reduce barriers to accessing the public procurement market, and actively promotes that market as an attractive business channel. For instance, meetings and major events have been regularly organised with business association representatives and civil society since 2014 to identify and address SME-specific challenges in the public procurement market. The most widely known is *ExpoMercado Público*, an annual event organised jointly by the public and private sectors. Furthermore, guidelines and recommendations are provided to procuring entities to improve their performance regarding SME access. On the website of ChileCompra, guidelines on specific topics are also published. Moreover, training activities are organised for both public procurement officials and suppliers. The inclusion of SMEs in public procurement is part of the accreditation test, which is mandatory for every public procurement official. Training for suppliers have two main goals – introducing SMEs to the public procurement system and improving suppliers' general performance and their commercial capacities.<sup>2</sup>

#### *Affirmative actions to promote the participation of women-owned business in Bogotá, Colombia*

The City of Bogotá, Colombia, is incorporating affirmative actions to promote the participation of women-owned businesses in contracts. As shown in the Table below, the City of Bogotá adopted a gradual approach. Contracting authorities included in terms of reference and contractual requirements the duty of future suppliers to keep a minimum of female employees to execute contracts, according to the following percentages.

<sup>2</sup> OECD (2018), *SMEs in Public Procurement: Practices and Strategies for Shared Benefits*, OECD Public Governance Reviews, OECD Publishing, Paris, <https://doi.org/10.1787/9789264307476-en>.

Sector	From 1 June 2021	From 1 June 2022	From 1 June 2023
Construction	6%	10%	15%
Transport and storage	10%	15%	20%
Public services	22%	27%	30%
ICT	43%	47%	50%
Others	40%	45%	50%

Source: OECD (2023), *Toolkit for Mainstreaming and Implementing Gender Equality 2023*, OECD Publishing, Paris, <https://doi.org/10.1787/3ddef555-en>.

## Suggested Policy Actions

- *Facilitating SME access to public procurement markets:* Removing the barriers to SME participation in public procurement is in line with the principles of equal treatment, open access and effective competition. More specifically, governments seek to facilitate SME access to procurement opportunities and level the playing field by ensuring that i) the size of tenders do not unjustifiably discourage SME participation; ii) public procurement processes and documents are not unnecessarily complex, iii) the financial capacity required of SMEs is set at a proportionate level; and iv) the use of ICT in public procurement improves SMEs' access to procurement opportunities.
- *Gradually build capacity in the market to meet gender-equality requirements and gender-based needs:* Market engagement is key to engage businesses and understand their capacities to ensure that gender equality requirements do not become barriers to participation. If suppliers are not ready to accommodate the targets by contracting authorities, they may be unable to respond and participate in tenders, leading to less competitive pressures and, ultimately, to the inability of governments to access goods, services or works that deliver value-for-money.
- *Professionalise the procurement workforce to undertake strategic public procurement:* For strategic public procurement aimed at social inclusion (SME's, women, etc.) to translate into concrete benefits, with minimal drawbacks, it needs to be effectively integrated in daily public procurement operations. This, in turn, requires that contracting authorities as well as suppliers, have the necessary capacities and skills. To address this challenge, public procurement policy makers, often together with the private sector, provide practitioners with implementation tools, such as guidelines and tailored training.

### Further reading

- OECD (2018), *SMEs in Public Procurement: Practices and Strategies for Shared Benefits*, OECD Public Governance Reviews, OECD Publishing, Paris, <https://doi.org/10.1787/9789264307476-en>.
- OECD (2021), "Promoting gender equality through public procurement: Challenges and good practices", *OECD Public Governance Policy Papers*, No. 09, OECD Publishing, Paris, <https://doi.org/10.1787/5d8f6f76-en>.
- OECD (2023), *Toolkit for Mainstreaming and Implementing Gender Equality 2023*, OECD Publishing, Paris, <https://doi.org/10.1787/3ddef555-en>.