

STRATEGIES TO INCREASE ACCESS TO MARKETS FOR WOMEN-OWNED SMALL AND MEDIUM-SIZED ENTERPRISES IN SOUTH AFRICA

KEY FACTS

50% to 60%
of South Africa's
workforce is
employed by
micro, small, and
medium enterprises
(MSMEs)¹.

Only 1 in 4
micro, small, and
medium firms are
owned by women
in South Africa².

\$49 Billion
Unmet financing
demand for women
entrepreneurs in
South Africa³.

25%
of WEConnect
International Corporate
Members committed to
sourcing from women-
owned businesses
operate in South Africa⁴.

KEY CHALLENGES FACED BY WOMEN ENTREPRENEURS

- Limited access to buyers.
- Buyers' payment terms are often too long and limit suppliers' working capital. Access to finance is needed to bridge payment gaps.
- Limited feedback from buyers on the performance of contracts hinders opportunities to enhance supplier firm capabilities.
- Reduced ability to make substantial time investments to pursue contract opportunities due to care responsibilities.
- Limited access to information and capacity on how to meet buyer qualifications on quality, safety, and environmental protection standards.

COLLABORATING FOR PROGRESS

With the support of the Women Entrepreneurs Finance Initiative (We-Fi), International Finance Corporation and WEConnect International have partnered to promote market access opportunities for women-owned enterprises in emerging markets.

The partnership aims to increase the overall number of corporations that source goods and services from women-owned businesses. Activities include peer-learning sessions for companies on the business case for sourcing from women and approaches from corporations with diverse and inclusive global value chains.

As part of the partnership, a roundtable was held in February 2019 in Johannesburg, South Africa, convening corporations and financial institutions seeking to start or expand their gender-inclusive sourcing efforts and address the challenges faced by women suppliers.



SOURCES:

1. IFC. 2018.
2. IFC. 2019.
3. Ibid.

4. WEConnect International in South Africa. 2019.

ROUNDTABLE LEARNINGS

ACCESS TO MARKETS



Creating an Internal Business Case

Corporations at the roundtable focused on gender-inclusive sourcing shared the following best practices for building internal buy-in and support:

- Demonstrate the benefits of gender-inclusive sourcing such as access to new suppliers, innovative business solutions, brand enhancement, and cost savings.
- Dedicate resources – budget and personnel – to local and global supplier diversity and inclusion efforts.
- Measure success: develop supplier baseline disaggregated by sex, set spend objectives across all business units, and set performance incentives for employees.
- Invest in supplier development training to minimize procurement risk and improve the quality of goods and services supplied.

ACCESS TO FINANCE



Bridging the Financial Gap

Solutions shared at the roundtable include:

- Financial intermediaries can tailor financial products to women entrepreneurs by understanding their personal, family, and business needs.
- Corporations can help address supplier cash flow issues with improved payment terms.
- Corporations and banks can collaborate with women-owned enterprises to quantify their financing needs based on purchase orders, which can be used as collateral.
- Development Finance Institutions can support financial institutions to offer supplier finance programs that enable banks to provide better financing options to women entrepreneurs.

KEY IDEAS IN ACTION

“ Given that women tend to operate smaller businesses, corporates could consider reducing the annual turnover ceiling qualifications and insurance requirements. ”

“ Women-owned businesses in the agribusiness sector within WEConnect International in South Africa network recently formed a legal entity to pursue larger contract opportunities from potential corporate clients. ”

“ A Corporate Member of WEConnect International in South Africa requested a two-page “wish-list” from several women-owned enterprises to capture data on the key tools and support needed for business growth. ”

MOVING FORWARD: LINKING ACCESS TO FINANCE WITH MARKETS

IFC and WEConnect International found that establishing this linkage is necessary to support women-owned small and medium sized businesses to access corporate procurement contracts. This relationship can be strengthened with increased collaboration among corporations and financial intermediaries. Three recommendations emerged from the roundtable:

- 1 Conduct outreach to existing supplier base on financing options** via traditional marketing efforts and social media campaigns to spread awareness.
- 2 Offer workshops on contract financing mechanisms.** These can be delivered in various ways: standalone sessions, integrated within existing supplier development programs, or as supplier development days informing women-owned businesses of supplier requirements, purchase categories, and financing programs.
- 3 Deepen value chain relationships** between corporations and suppliers beyond purchasing of goods and services. Provide training and mentoring to reduce supplier risk profile and increase their opportunity to access finance from financial intermediaries.