Public Procurement’s role as a strategic policy lever is widely recognised due to the enhanced economic outcomes that it promotes for governments, leveraged by its sheer economic size (comprising 12% of GDP in the OECD area). Following the adoption of the 2015 Recommendation of the Council on Public Procurement, the OECD has been at the forefront of providing evidence and good practices related to the way public procurement is used to promote broader policy objectives, such as sustainability, innovation and social responsibility.

Building on the successful launches of the Going Green Compendium (2015) and Public Procurement for Innovation (2017), the 2018 OECD Procurement Forum centred around public procurement and SMEs. Throughout the day, many success stories, pitfalls and good practices were shared on how greater engagement of SMEs in public procurement markets can promote their expansion, leading to inclusive growth and simultaneously achieving other policy objectives. Leading public procurement practitioners from 30 different countries attended the Forum, which focused on the links between public procurement policies and SME development.

The event was a joint initiative between the OECD Directorate for Public Governance and the OECD Centre for Entrepreneurship, SMEs, Regions and Cities. It also offered the opportunity to launch the OECD report “SMEs in Public Procurement: Practices and Strategies for Shared Benefits”, which is the first analysis of countries’ strategies and practices in helping SMEs thrive through public markets.

The report findings supported the Forum discussion on how to facilitate, and remove barriers to, SME participation in public procurement. Discussions also centred on one of the key themes of the report: the promotion of capacities and skills in both contracting authorities and suppliers that support the success of SME strategies and policies. Measurement of SME support was a common thread in both the report and the Forum, with acknowledgement that the critical insights gained would ensure success.

“Strategic public procurement provides opportunities for SMEs to grow and be globally competitive.”

Elżbieta Bienkowska, Commissioner for Internal Market, Industry, Entrepreneurship and SMEs, European Commission
Inclusion and transparency are key to SME participation in public procurement, and measurement of outcomes is important for recognition of benefits.

Public procurement is a powerful strategic tool that can be used with SMEs to promote environmental and social outcomes. SMEs face some specific challenges, as they often lack a track record of working with the public sector. Cooperation through the use of clusters, for example, can replicate the benefits and economies of scale inherent in larger scale organisations. Enabling discussions to occur worldwide provides the perfect platform to identify ways of supporting SMEs in becoming globally competitive.

“We don’t really think of the words “friendly” and “public procurement” together. We are working on understanding the features of a more SME-friendly service”

Arianne Reza, Assistant Deputy Minister, Procurement Branch, Public Services and Procurement, Canada
“Don’t just think about growth of SMEs; think about SMEs as SMEs and public procurement as a test lab for procedures that can be rolled out to the entire market.

Luca Donelli, B20 Co-Chair on SMEs taskforce
SMEs constitute a large proportion of enterprises but a smaller proportion of suppliers into government. Panellists shared many different ways of encouraging SMEs to participate in public procurement processes. These included purpose-built platforms and preferential purchasing schemes, easy-to-understand guidelines and outreach programmes. E-procurement is seen as a key enabler for increasing SME participation with a focus on integrating systems to allow for a true end-to-end experience. A key outcome being sought is greater innovation. However, it is necessary to tailor innovation to solve specific problems rather than simply adopting it for its own sake. Measuring the participation and impact of SMEs is an important area to address. It was acknowledged that there are opportunities to standardise metrics in order to ensure measurements are meaningful.
Public procurement has significant potential to support SMEs to develop and scale up as both prime contractors and subcontractors.

There are barriers to SME participation in public procurement due to their scale and related low administrative, financial and technical capacity. These constraints are affected by other difficulties that SMEs face in the market, including their relatively limited access to finance. Efforts from the public sector very often focus on facilitating SME access to public procurement and increasing ease of doing business with governments. Panellists acknowledged the benefits gained from standardised and simplified public procurement processes, as well as improved transparency and automation through the increasing use of eprocurement systems.

In considering the strategic use of public procurement to achieve scalability, the panellists highlighted the need to balance it with other SME support policies and measures. This aligns with considering value for money and weighing the trade-offs and benefits of integrating complementary policy objectives into their procurement decisions.

“The Government can act as a start-up incubator and behave as an innovation broker”

Ayse Er, Legal advisor (Amsterdam Smart City) and Mauro Draoli, Head of procurement strategies and market innovation (AgID, Agency for Digital Italy)
SMEs are a driver of innovation and purchasing bodies from public administrations need to overcome barriers to SME and start-up participation in public procurement.

SMEs and start-ups are more flexible than larger firms and frequently learn through trial and error. During this session, participants discussed how to encourage innovation through SME participation. Identification of needs is key, and focusing on solutions to problems should be done well in advance. Methods such as non-prescriptive “calls for solutions” and using dedicated IT platforms ("safe places") were shared. Training the public procurement workforce in new ways of thinking and bringing them together with innovative firms and start-ups will help to encourage innovation. Such collaboration will break down the barriers that can sometimes arise.
SMEs that benefit from public procurement opportunities will grow and increase their market share. They can often provide better quality of services thanks to their flexibility. The real test for SME success is implementation, as there are many barriers to SME participation. Discussions in the Forum provided the benefit of many real-life examples of ways to improve the inclusion of SMEs in public procurement.

Innovation is key to the growth of world economies, and it is becoming increasingly evident that SMEs play a key part in bringing forth new ideas and ways of doing things. The Forum discussions centred on the benefits of doing so, with practical examples of how to use the rich data available in e-procurement systems to measure the benefits. SMEs are leading the way forward in many different arenas, including in the procurement of environmental, social and innovative outcomes.

Several of the Forum speakers were from the SME community and gave examples of good practice from their perspective. Apart from the procurement of small lots, some countries have developed specific programs, such as providing training to SMEs to foster higher participation in public procurement.

At the end of the day, developing SMEs is not an end in itself, but a significant step in creating more jobs and building societies that are more inclusive.
FOR MORE INFORMATION
Visit: www.oecd.org/gov/public-procurement
or contact us at: public.procurement@oecd.org