



# Public Procurement for Innovation in SMEs

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# SMEs are less innovative than large firms, but they receive more government support

Business R&D and Government support to SMEs R&D, 2013 - STI Scoreboard, 2015





# Government Support to Innovation in SMEs

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Government use various instruments to support innovation in SMEs:

- R&D tax credit
  - Subsidies
  - Provision of funds (capital, loans)
  - Demand side policies: Public procurement
- Need to optimise the policy mix.
- Advantage of public procurement for recipients: provides not only funding, but experience and sort of quality certification.



# Public Procurement might Favour Larger Firms

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A number of features might lead public procurement to favour large firms if no corrective measure is taken:

- Complexity of bidding (cost issue)
- Often needs large quantities (capacity issue)
- Payment might come late (liquidity issue)
- SMEs have a higher risk to fail to innovate, which might deter panels to select them (risk issue)



## Special Provisions for SMEs

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A majority of OECD countries have special provisions for SMEs in their public procurement:

- ⇒ Quotas or targets of small firms among recipients
- ⇒ Procurement in smaller packages
- ⇒ Improving information (platforms)
- ⇒ Simplifying procedures



# SBIR

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A number of countries have a version of SBIR – Small Business Innovation Research Program (US, UK, Japan Netherlands, Australia etc.) = provides early stage financial support to high-risk innovative small firms. Major features are:

- The recipient retains the IP
- Staged financing (similar to venture capital)
- Highly selective
- Usually handled at the specialised agency level



## Evaluation: We Need the Data!

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- A few evaluations have drawn mixed conclusions: little additionality but some encouragement to entrepreneurship and VC raising
- Evaluation of programs is rare because data is not available:

=> At the age of Big Data government should make the information accessible!



# Thank you

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