

Country case: Encouraging SMEs' participation in public procurement in China

Description

Chinese government has been conscious of the impact of public procurement on SMEs since the beginning of its government procurement reform. The first comprehensive government procurement code, Government Procurement Law 2002 (GPL), provides in Article 9 "Government procurement shall be conducted in such a manner as to facilitate achievement of the economic and social development policy goals of the State, including but not limited to environmental protection, assistance of underdeveloped or ethnic minority regions, and development of small and medium-sized enterprises".

Public Procurement
Principle: **Access, Balance**

Procurement Stage:
Tendering

Audience: **Policy Maker,
Procuring Entity, Private
Sector**

In addition, Law on Promotion of Small and Medium-sized Enterprises 2002 which was adopted by the National People's Congress on the same day provides in Article 34 "In government procurement, preference shall be arranged to goods or services originated from small and medium-sized enterprises". In addition, the 2011 Interim Measure on Facilitating the Development of SMEs in Government Procurement adopted jointly by Ministry of Finance (MOF) and Ministry of Industry and Information Technology (MIIT) provides that 30% of government procurement budget shall be set aside to purchase goods and services from SMEs and 60% of such reserved contracts shall be awarded to small or micro enterprises. Furthermore, small and micro enterprises participating in procurement not reserved for SMEs shall be granted a price preference in the range of 6-10% with the exact margin to be determined by the relevant procuring entity or its agent. The Interim Measure also encourages big companies to use SMEs as subcontractors, to form consortia with SMEs, and encourages financial institutions to provide credits/guarantees for SMEs to pay deposits and perform the contract.

Finally, it is compulsory for the procuring entities to report their implementation of the measure and the data gathered shall be published on the official government procurement media (website: www.ccgp.gov.cn; newspaper: Chinese Finance and Economy; and magazine: Chinese Government Procurement, China State Finance).

Source: OECD (2016), "[Corruption in Public Procurement](#)".