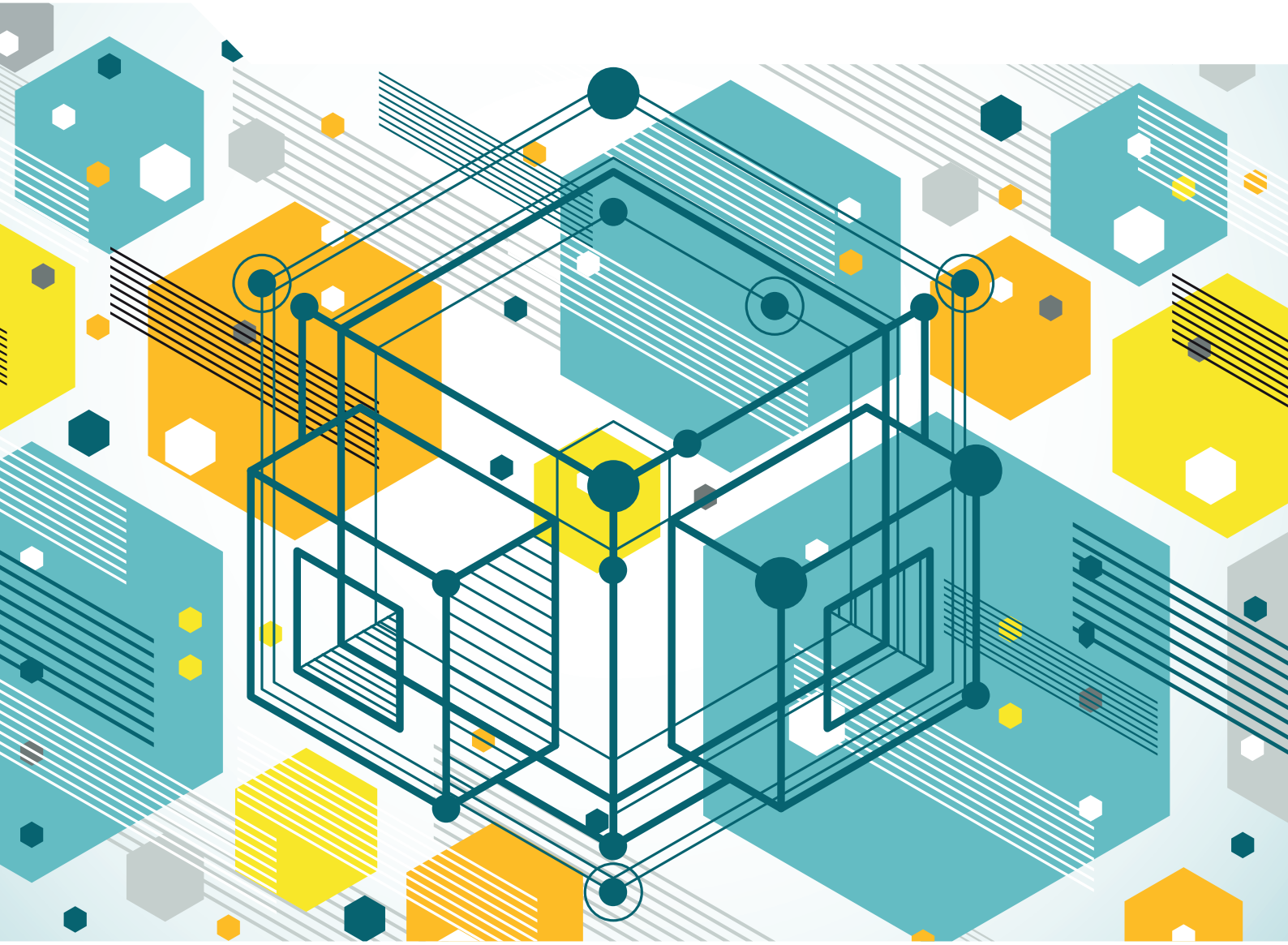
OECD Public Governance Reviews

SMEs in Public Procurement

PRACTICES AND STRATEGIES FOR SHARED BENEFITS



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Foreword

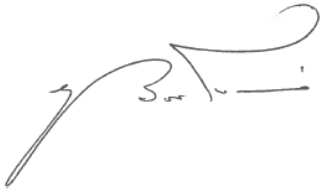
Governments are increasingly using public procurement as a strategic governance tool for promoting inclusive and sustainable growth while ensuring value for money. Public procurement represents approximately 12% of gross domestic product (GDP) and 29% of total government expenditures in OECD countries; as such, its potential impact on a range of policy objectives is significant.

SMEs can play a pivotal role in helping governments ensure that the benefits of globalisation, open markets and digitalisation are broadly shared across societies. SMEs account for more than half of employment globally and, on average, 50% to 60% of national GDP in OECD countries, while being strongly connected to local economies. They are thus significant players in the economy as well as important agents of social cohesion and integration. Consequently, governments strive to provide supportive business conditions, including in terms of public procurement, that allow SMEs to achieve their growth potential by participating in domestic and global value chain.

This report takes stock of the policy options used in OECD and non-OECD economies to integrate SME considerations in public procurement. This first analysis of countries' strategies and practices in helping SMEs thrive through public markets complements existing work on the use of public procurement for pursuing broader policy objectives, from reinforcing integrity in the public sector to promoting innovation and environmental sustainability.

The *OECD 2015 Recommendation on Public Procurement* lays out guiding principles for countries on how to strike the right balance so that public procurement systems both support SMEs and facilitate access to public procurement markets for competitors of all sizes. In practice, this raises many challenges that can be addressed through a wide array of policies ranging from explicit measures promoting SMEs to strengthening SMEs' capacity to win public contracts.

The report identifies the major components of a public procurement system that is conducive to SMEs' participation while accounting for their heterogeneity. It further demonstrates how broader development programmes can bolster SMEs' capacities to better respond to the needs of public entities. Yet, highlighting the limitations of existing strategies and practices, it also calls upon countries to reinforce their efforts to support SMEs through public procurement markets as well as to exploit potential synergies with other government initiatives to promote SMEs.



Marcos Bonturi

Director

OECD Public Governance Directorate

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Under the direction and oversight of Marcos Bonturi, OECD Director for Public Governance, and János Bertók, Head of the Public Sector Integrity Division, this report was prepared by Minjoo Son, Policy Analyst, guided by Paulo Magina, Head of the Unit, and Matthieu Cahen, Deputy Head of Unit, from the Public Procurement Unit of the Public Sector Integrity Division. Preliminary works on building the evidence base were carried out by Kjersti Berg, Senior Adviser on Public Procurement and Innovation, Agency for Public Management and eGovernment, Norway, who was seconded to the OECD from January to October 2017. Inputs were also provided by Andy Cochrane, Kenza Khachani, Lena Diesing, Agnieszka Szczypińska, Fleur D'Souza and Lara Gruben. Editorial assistance was provided by Andrea Uhrhammer and Randy Holden. The report was prepared for publication by Meral Gedik, Thibaut Gigou and Laura McDonald. Alpha Zambou provided administrative assistance.

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This report integrates data and evidence collected through 2017 OECD Survey on Strategic Use of Public Procurement to Support SMEs. Responses were received from 32 OECD countries – Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Mexico, the Netherlands, New Zealand, Norway, Poland, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland and the United Kingdom – and 5 non-OECD countries – Bulgaria, Colombia, Costa Rica, Thailand and Ukraine. Some SME and business associations were consulted through questionnaire disseminated through the Business and Industry Advisory Committee (BIAC) to the OECD.

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Table of contents

Foreword **3**

Acknowledgements **5**

Executive summary **13**

Acronyms and abbreviations **15**

Part I. Strategic considerations for SMEs in public procurement **19**

Chapter 1. Public procurement and SMEs: Why the relationship matters? **21**

1.1. Understanding the SME ecosystem 25
1.2. SME development supports inclusive growth 25
1.3. Engaging SMEs in public procurement brings benefits 29
1.4. SMEs face difficulties in participating in public procurement markets 32
1.5. Integrating SME consideration into public procurement policies 38
1.6. Supporting SMEs to reinforce the strategic use of public procurement 42
References 45

Chapter 2. Ensuring a public procurement environment conducive to SME participation **49**

2.1. Defining the right size of public procurement contracts 52
2.2. Simplifying and standardising public procurement processes 60
2.3. Addressing the financial capacity of SMEs 68
2.4. Encouraging use of e-procurement 73
2.5. CPBs as further enablers of SME participation in public procurement 76
Notes 79
References 80

Chapter 3. Intervening to support SMEs in public procurement **83**

3.1. Increasing SMEs' chances of winning public contracts through preference programmes 84
3.2. Tailoring tools and mechanisms to SMEs' needs 89
3.3. SME heterogeneity is not sufficiently taken into account 92
References 96

Chapter 4. Enabling implementation: What is it SMEs and public procurement officials need? **99**

4.1. Enhancing the capacities of public procurement officials 101
4.2. Building SMEs' capacity to participate in public procurement markets 106
4.3. Ensuring implementation across and between different levels of government 111
4.4. Engaging with SMEs to build a robust and lasting partnership 113
Note 114
References 115

Chapter 5. Monitoring and evaluation: How are SMEs performing? 117

5.1. Measuring SMEs' ease of access through their market share in public procurement 118
5.2. The effectiveness of public procurement in achieving broader goals through supporting SMEs 122
5.3. Monitoring CPBs' performance on facilitating SME participation 125
5.4. Current limitations to measuring the effectiveness of SME support policies 128
References 131

Part II. Country profiles 133

6. Australia 135
7. Austria 138
8. Belgium 141
9. Canada 143
10. Chile 147
11. Czech Republic 150
12. Denmark 151
13. Estonia 154
14. Finland 156
15. France 158
16. Germany 162
17. Greece 165
18. Hungary 167
19. Iceland 170
20. Ireland 172
21. Israel 175
22. Italy – Consip 178
23. Japan 180
24. Korea 182
25. Latvia 185
26. Lithuania 186
27. Mexico 189
28. The Netherlands 191
29. New Zealand 193
30. Norway 195
31. Poland 197
32. Slovak Republic 200

33. Slovenia **203**
34. Spain **207**
35. Sweden **209**
36. Switzerland **212**
37. United Kingdom **214**
38. Bulgaria **216**
39. Colombia **218**
40. Costa Rica **221**
41. Thailand **222**
42. Ukraine **223**

Tables

Table 1.1. Definition of an SME in the European Union 25
Table 1.2. SMEs' public procurement challenges by stage of procurement 38
Table 1.3. Support for SMEs in public procurement for innovation policies and strategies 43
Table 1.4. Supporting SMEs through green public procurement policies and strategies 44
Table 2.1. Improving payment time for subcontractors through SMSGC (2015-17), Korea 72
Table 3.1. Network loans made to SMEs, 2012-17) 92
Table 3.2. Obstacles when selling to the federal government, Canada 95
Table 4.1. Training and workshops for SMEs carried out by public procurement authorities 108
Table 5.1. SME contract award targets in public procurement 120
Table 5.2. Share of contracts awarded to SMEs in some OECD countries, 2014-16 121
Table 5.3. Methodologies used to measure the effectiveness of SME support policies 124
Table 6.1. Distribution of firms in Australia, 2014-15 135
Table 7.1. Distribution of firms in Austria, 2014 138
Table 8.1. Distribution of firms in Belgium, 2015 141
Table 9.1. Firm distribution in Canada, 2015 143
Table 10.1. Firm distribution in Chile, 2014 147
Table 11.1. Basic figures of the non-financial business economy of the Czech Republic, 2015 150
Table 12.1. Basic figures of the non-financial business economy of Denmark, 2015 151
Table 13.1. Firm distribution in Estonia, 2014 154
Table 14.1. Firm distribution in Finland, 2014 156
Table 15.1. Firm distribution in France, 2015 158
Table 15.2. Share of contracts awarded to SMEs, against annual targets 160
Table 16.1. Basic figures of the non-financial business economy in Germany, 2015 162
Table 17.1. Distribution of firms in Greece, 2016 165
Table 18.1. Distribution of firms in Hungary, 2015 167
Table 19.1. Basic figures of the non-financial business economy of Iceland, 2014 170
Table 20.1. Distribution of firms in Ireland, 2014 172
Table 21.1. Distribution of firms in Israel, 2014 175
Table 22.1. Distribution of firms in Italy, 2014 178
Table 23.1. Number of business establishments and enterprises by industry and size in Japan, 2014 180
Table 24.1. Distribution of firms in Korea, 2013. 182
Table 25.1. Basic figures of the non-financial business economy of Latvia, 2015 185

Table 26.1. Basic figures of the non-financial business economy of Lithuania, 2015 186
Table 27.1. Distribution of firms in Mexico, 2014 189
Table 28.1. Distribution of firms in the Netherlands, 2015 191
Table 29.1. Distribution of firms in New Zealand, 2015 193
Table 30.1. Distribution of firms in Norway, 2013 195
Table 31.1. Basic figures of the non-financial business economy of Poland, 2015 197
Table 32.1. Share of public procurement procedures awarded to SMEs 201
Table 33.1. Distribution of firms in Slovenia, 2015 203
Table 34.1. Distribution of firms in Spain, 2016. 207
Table 35.1. Distribution of firms in Sweden, 2014. 209
Table 35.2. Public procurement payments by company size in Sweden, 2016 210
Table 36.1. Distribution of firms in Switzerland, 2013 212
Table 37.1. Distribution of firms in the United Kingdom, 2015. 214
Table 38.1. Basic figures of the non-financial business economy of Bulgaria, 2015 216
Table 39.1. Distribution of firms in Colombia, 2016 218

Figures

Figure 1.1. Size of public procurement in the OECD countries (2015) 23
Figure 1.2. Enterprises by size, non-financial business sector 26
Figure 1.3. Employment by enterprise size, non-financial business sector 26
Figure 1.4. Value added by enterprise size, non-financial business sector 27
Figure 1.5. Contribution of SMEs and large enterprises to employment and value added 28
Figure 1.6. SME business environment: A conceptual framework 29
Figure 1.7. Main strategy/policy objectives in facilitating SME participation in public procurement . 31
Figure 1.8. SMEs' share of public contracts won, compared with their market share for some European countries 33
Figure 1.9. Main constraints on SME access to public contracts in OECD countries 37
Figure 1.10. Priority social goals in sustainable public procurement policies 39
Figure 1.11. Incorporating support of SMEs in public procurement and/or wider policy in 31 OECD countries 39
Figure 1.12. Challenges in developing strategies / policies to support SMEs in public procurement .. 41
Figure 2.1. Measures and approaches used to support SMEs in public procurement 51
Figure 2.2. Encouraging division of contracts into lots to facilitate SME participation in public procurement 53
Figure 2.3. SMEs' share of public contracts won in selected European countries 65
Figure 2.4. Functionalities provided by the e-procurement systems in OECD countries,2016 73
Figure 2.5. Enhanced information about upcoming tenders in advance by the CPB 74
Figure 2.6. The role(s) of the central purchasing bodies 76
Figure 2.7. Business model of Consip's Supplier Training Desks 78
Figure 3.1. Difference between the share of SMEs in public procurement and their role in the economy, 2009-11 average, EU-27 93
Figure 4.1. Challenges in implementing strategies and policies to support SMEs through public procurement 100
Figure 4.2. Specific training sessions organised for the public procurement workforce on the implementation of strategies and policies that support SMEs 104
Figure 4.3. Extent to which SME support is integrated into general capacity-building activities for the public procurement workforce in OECD countries 106
Figure 4.4. Training and workshops carried out to support SMEs in public procurement 107
Figure 5.1. Measuring the share/value of public procurement contracts awarded to SMEs 119

Figure 5.2. Assessment of the results of measures to support SMEs in public procurement by CPBs 126
Figure 5.3. Share of contracts in terms of number and value awarded to SMEs by CPBs (2016) 127
Figure 5.4. Number of SMEs participating in public procurement - Austria 128
Figure 5.5. Main reasons for not measuring the effectiveness of SME support policies 129
Figure 6.1. Procurement contracts awarded to SMEs in Australia between fiscal years 2013-14 and 2016-17 137
Figure 7.1. SME participation share in BBG public procurement processes 140
Figure 9.1. SME share of PSPC-awarded contracts 146
Figure 10.1. SME share in the public procurement market in Chile, 2014-16 148
Figure 12.1. Characteristics of suppliers to SKI's framework agreements, 2017 153
Figure 13.1. Share of contracts awarded to SMEs 155
Figure 15.1. SME share of public procurement contracts awarded by UGAP, 2014-2016 161
Figure 16.1. Share of CPB contracts awarded to SMEs in Germany 163
Figure 18.1. Share of contracts awarded to SMEs in Hungary, 2014-17 169
Figure 18.2. SME participation and performance in KEF-awarded contracts, 2014-17 169
Figure 24.1. Share of contracts in terms of value awarded to SMEs in Korea, 2014-16 184
Figure 26.1. Contracts awarded to SMEs in Lithuania, 2014-16 187
Figure 32.1. Sectoral structure of SMEs in the Slovak Republic, 2017 200
Figure 33.1. Share of contracts awarded to SMEs in Slovenia 205
Figure 39.1. Contracts awarded to SMEs by Colombia Compra Eficiente, 2014-16 220

Boxes

Box 1.1. OECD Recommendation on Public Procurement – Principle on Balance 24
Box 1.2. Benefits SMEs can offer 30
Box 1.3. Legal revision to facilitate SME access to public procurement markets in the European Union 36
Box 1.4. Objective of supporting SMEs in legal public procurement frameworks 40
Box 2.1. OECD Recommendation of the Council on Public Procurement – Principle on Access 50
Box 2.2. Economic literature on division into lots 54
Box 2.3. A tool for division into lots – Germany 55
Box 2.4. OECD Checklist for protecting competition when splitting contracts into lots 56
Box 2.5. Guide to compliance with competition law in joint-bidding, Ireland 59
Box 2.6. Use of the Commonwealth Contracting Suite in Australia 61
Box 2.7. European Single Procurement Document 62
Box 2.8. EU rules on the minimum time limit for submission of tenders 64
Box 2.9. The e-marketplace for small value procurement in Italy: The MePA 67
Box 2.10. Protecting SMEs against late payment – European Union 69
Box 2.11. Collaborative reverse factoring – UGAP, France 70
Box 2.12. Korea – The subcontractor management system 72
Box 2.13. Contracts Finder – United Kingdom 75
Box 2.14. Supplier Training Desks (*Sportelli in rete*) – Consip, Italy 78
Box 3.1. Small business set-aside – United States 86
Box 3.2. Encouraging SME participation in public procurement in China 88
Box 3.3. Small business subcontracting in the United States 90
Box 3.4. SMEs as subcontractors - Australia 91
Box 3.5. Liquidity support for SMEs in public procurement - Korea 92
Box 4.1. OECD Recommendation of the Council on Public Procurement – Principle on Capacity 101
Box 4.2. Guidance on market analysis to assist SMEs in Public Procurement - Ireland 103
Box 4.3. Training and workshops provided by the Polish Agency for Enterprise Development 109

Box 4.4. Go-2-Tender Training Scheme for SMEs - Ireland 110
Box 4.5. Training and workshops carried out for SMEs in a collaborative way – Ukraine 111
Box 4.6. Addressing SMEs' challenges and constraints through the Office of Small and Medium Enterprises in Canada 112
Box 4.7. The network of public procurement agents, Finland 113
Box 4.8. SME consultation to improve policy implementation – Netherlands. 114
Box 5.1. OECD Recommendation of the Council on Public Procurement – Principle on Evaluation 118
Box 5.2. Evaluation of the effects of the Dutch Public Procurement Act 123
Box 5.3. Monitoring and evaluation of the public procurement system - Canada 125

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Executive summary

Governments are increasingly taking steps both to give SMEs better access to public markets and to remove barriers preventing SMEs from winning public contracts. Engaging SMEs in public procurement is beneficial both for the companies and for the public sector. On the one hand, public procurement contracts give SMEs better access to markets and help them strengthen their own capacities. On the other, the public sector can better meet its procurement needs by working with innovative, responsive and flexible SMEs. However, specific characteristics of public procurement – such as the complexity of procedures, administrative burden and high technical and financial capacity requirements – disproportionately affect SMEs and hamper their access to the market. This report highlights the main elements of a public procurement system that facilitates SME participation and supports SME development more broadly.

Key findings and recommendations

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. Indeed, it has been part of many recent public procurement reforms in OECD countries. More specifically, government are seeking to facilitate SME access to public procurement opportunities and level the playing field, for example by ensuring the following:

- That the size of tenders do not unjustifiably discourage SME participation;
- That public procurement processes and documents are not unnecessarily complex, and are simplified according to the value and risk of the procurement object;
- That the financial capacity required of SMEs is set at a proportionate level and that SMEs'participation in public procurement markets does not excessively limit their financial conditions; and
- That the use of information and communication technologies in public procurement improves SMEs' access to public procurement.

Balancing the use of SME-specific instruments

Some (but not many) governments have implemented explicit public procurement measures for supporting SMEs, such as dedicated financial instruments and preference programmes. These programmes usually take into account some SME-specific challenges in public procurement markets and/or market failures. However, given their impact on efficiency and competition, it is important to carry out prior assessments of market structure and government leverage and ensure that the use of these programmes is balanced accordingly. Furthermore, the participation constraints and performance of SMEs vary according to their characteristics, such as size, maturity and sector. Governments should thus consider available policy options that take into account the heterogeneous characteristics of SMEs.

Resolving the capacity equation of the public procurement workforce and SMEs

For SME strategies and policies to translate into concrete benefits, with minimal drawbacks, they need to be effectively integrated in daily public procurement operations. This, in turn, requires that contracting authorities as well as suppliers, including SMEs, 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. In some countries, these efforts are reinforced through the establishment of a dedicated body to ensure effective implementation across levels of government. In addition, governments increasingly engage with SMEs on a regular basis to build a partnership grounded in a mutual understanding of needs and potential.

Monitoring and evaluating SME performance in public procurement

Monitoring and evaluating SME support measures are essential for building effective public procurement systems conducive to inclusive growth. Nonetheless, they are under-utilized. The most commonly used indicator is the overall share of public contracts awarded to SMEs, but only half of OECD countries monitor it. However, governments do not sufficiently disaggregate this indicator to take into account the heterogeneity of SMEs and the diversity of procurement needs. The proliferation of e-procurement platforms and integration of emerging technologies into e-government systems have unlocked a vast amount of data. This digital transformation, still to be fully completed, will provide an immense opportunity for evidence-based evaluation of the effectiveness of public procurement policies, especially the effects of SME-enablement programmes beyond the public procurement market. Further analysis of the procurement data in this vein could also help improve SMEs' integration in value chains. More information in this area would provide policy makers with critical insights for choosing the appropriate tools and identifying the optimal conditions for enabling SME development.

Acronyms and abbreviations

ACOPI	Colombian Association for Micro, Small and Medium-sized Enterprises *(Asociación Colombiana de Micros, Pequeñas y Medianas Empresas)*
AIP	Australian Industry Participation
AIS	Acquisition Information Service, Canada
ASP	Application service provider
BBG	Federal Procurement Agency (Bundesbeschaffung GmbH), Austria
CAs	Contracting authorities
CBS	Central Bureau for Statistics, Netherlands
CCE	Colombia Compra Eficiente
CCS	Commonwealth Contracting Suite, Australia
CIF	Construction Industry Federation
CPBs	Central purchasing bodies
CPPP	Central Purchasing and Public Procurement, Bulgaria
CPRs	Commonwealth Procurement Rules, Australia
DBEI	Department of Business Enterprise and Innovation, Ireland
Difi	Agency for Public Management and eGovernment *(Direktoratet for Forvaltning Og Ikt)*, Norway
DGRGCC	Directorate-General for Rationalisation and Public Procurement Centralisation *(Dirección General de Racionalización y Centralización de la Contratación)*, Spain
DIW	German Institute for Economic Research *(Deutsches Institut für Wirtschaftsforschung)*
DPS	Dynamic purchasing system
EC	European Commission
EDWOSB	Economically Disadvantaged Woman-Owned Small Business Program, United States
ENAPROCE	National Survey of Productivity and Competitiveness for Micro, Small and Medium Enterprises *(Encuesta Nacional sobre Productividad y Competitividad de las Micro, Pequeñas y Medianas Empresas)*, Mexico
EOs	Economic operators

ESPD	European Single Procurement Document
EU	European Union
FIVOSZ	Young Entrepreneurs Association Hungary *(Fiatal Vállalkozók Országos Szövetsége)*
GPA	Government Procurement Agreement
HUBZone	Historically Underutilized Business Zones, United States
IBEC	Irish Business and Employers Confederation
IMPI	Mexican Institute of Industry Property *(Instituto Mexicano de la Propiedad Industrial)*, Mexico
INAC	Indigenous and Northern Affairs Canada
INE	National Statistics Institute (Instituto Nacional de Estadística), Spain
INEGI	National Institute of Statistics and Geography *(Instituto Nacional de Estadística y Geografía)*, Mexico
ISIC	International Standard Industrial Classification
ISME	Irish Small and Medium Enterprises Association, Ireland
KEF	Procurement and Supply Directorate *(Közbeszerzési és Ellátási Főigazgatóság)*, Hungary
KNB	Competence Centre for Sustainable Public Procurement *(Kompetenzstelle für nachhaltige Beschaffung beim Beschaffungsamt des Bundesministeriums des Innern)*, Germany
KOINNO	Competence Centre for Innovative Procurement *(Kompetenzzentrum innovative Beschaffung)*, Germany
KONEPS	Korean e-Procurement System
LAASSP	Law of Acquisitions, Leases and Services of the Public Sector *(Ley de Adquisiciones, Arrendamientos y Servicios del Sector Público)*, Mexico
OGP	Office of Government Procurement, Ireland
OSME	Office of Small and Medium Enterprises, Canada
MEDT	Ministry of Economic Development and Trade, Ukraine
MEF	Ministry of Economy and Finance, Italy
MEIC	Ministry of Economy, Trade and Industry *(Ministerio de Economia, Industria y Comercio)*, Costa Rica
MePA	Public Administration e Marketplace *(Mercato Elettronico Pubblica Amministrazione)*, Italy
MKB Nederlans	Small and medium-sized firms *(Midden- en kleinbedrijf)*, Netherlands
MOU	Memorandum of understanding

MSMEs	Micro-enterprises and SMEs
NHO	Confederation of Norwegian Enterprise *(Næringslivets Hovedorganisasjon)*, Norway
PARP	Polish Agency for Enterprise Development *(Polska Agencja Rozwoju Przedsiębiorczości)*
PBN	Procurement Business Number, Canada
PCI	Procurement Capability Index, New Zealand
PEMEX	Petróles Mexicanos, Mexico
PGCM	Program for a Close and Modern Government *(Programa para un Gobierno Cercano y Moderno)*, Mexico
PPA	Public Procurement Act, Hungary
PPL	Public Procurement Law, Poland
PPO	Public Procurement Office, Poland
PPS	Public Procurement Service, Korea
PSPC	Public Services and Procurement Canada
RfQ	Requests for quotations
RHS	Public Procurement Act *(Riigihangete seadus)*, Estonia
SAT	Simplified Acquisition Threshold, United States
SBIR	Small Business Innovation Research Ireland
SDVOSB	Service-Disabled Veteran-Owned Small Business Program, United States
SFA	Small Firms Association, Ireland
SII	Internal Revenue Service *(Servicio de Impuestos Internos)*, Chile
SKI	National Procurement Ltd *(Staten og Kommunernes Indkøbsservice A/S)*, Denmark
SMBA	Small and Medium Business Administration, Korea
SMSGC	Subcontract Management System for Government Contracts, Korea
SOE	State-owned enterprise
TAPAS	Transparency and Accountability in Public Administration and Services
UNEP	United Nations Environment Programme
WOSB	Woman Owned Small Business Program, United States
WTO	World Trade Organization

Part I. Strategic considerations for SMEs in public procurement

Chapter 1. Public procurement and SMEs: Why the relationship matters?

This chapter discusses the rationale behind promoting SME participation in public procurement policies, and countries' efforts to support their involvement. Given their considerable purchasing power, governments can avail themselves of sizeable funds to pursue diverse public policy objectives while using taxpayers' money efficiently. SMEs meanwhile form the backbone of economies worldwide and are often the primary focus of economic policies. This chapter unveils the linkages between comprehensive public procurement strategies that countries implement and the development of SMEs, highlighting the mutual benefits achieved through closer and greater engagement between small businesses and the public sector. The chapter demonstrates that while SMEs' access to the public procurement market constitutes one of many elements that are essential for their performance, the wide array of efforts developed by countries through public procurement reforms in fact diffuses beneficial effects across the entire SME business environment, and affect multiple policy areas.

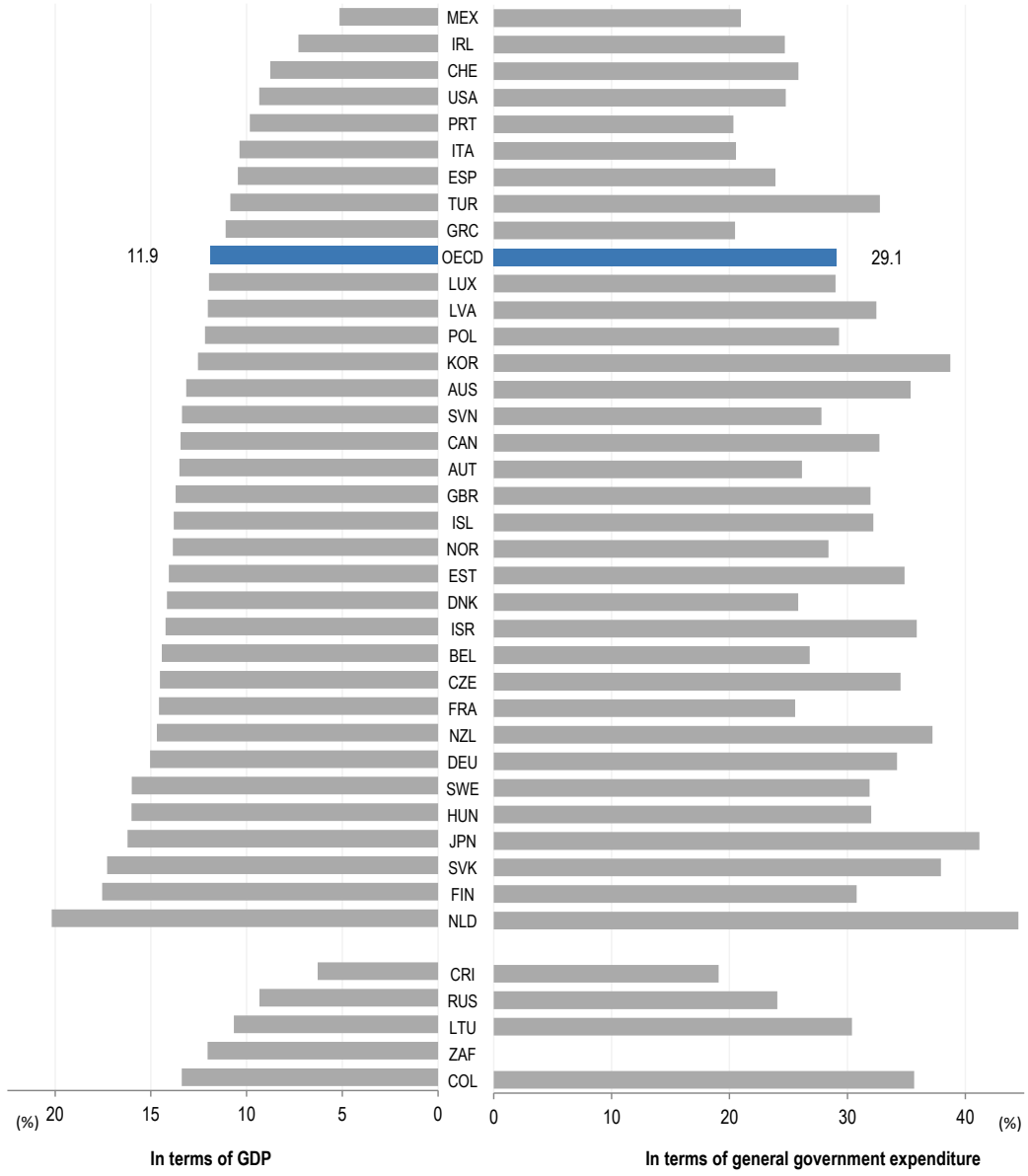
The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Public procurement is a complex government activity. It refers not just to the act of purchasing, but rather to a whole process – from identifying what is needed and determining who the best person or organisation is to supply this need, to seeing that what is needed is delivered to the right place at the right time for the best price, and meanwhile ensuring that all this is done in a fair and open manner (OECD, 2015[1]). The complexity of public procurement is also shaped by the variety of stakeholders involved in the processes and the system. Various interests in public procurement systems are held not only by public procurement officials and suppliers, but also by policy makers, oversight bodies, bidders and citizens.

Public bodies spend large sums of money through public procurement to meet their mandates, carry out functions, and deliver quality public services to citizens. Public procurement spending represents on average 12% of GDP, and accounts for almost one-third of government expenditure in OECD countries (see Figure 1.1). That makes governments some of the biggest purchasers of goods, services and works and emphasises their role in harnessing public procurement's economic leverage to support sustainable and inclusive growth (OECD, 2014[2]) and transform supply-chain business models (Martin-Ortega, 2018[3]).

Figure 1.1. Size of public procurement in the OECD countries (2015)

In terms of GDP and general government expenditure



Note: Data are based on the System of National Accounts. Data for Australia are based on a combination of government finance statistics and national accounts data provided by the Australian Bureau of Statistics. Data for Chile are not available. Data for Costa Rica, Russia and South Africa are for 2014 rather than 2015.
Source: (OECD, 2017[4]).

Governments increasingly recognise the strategic use of public procurement. Depending on how a government carries out public procurement, its decisions can significantly affect economic and social development. Public procurement can indeed be used as a strategic tool to advance various public policy goals, from budget accountability and efficient public spending, to pursuing environmental protection (OECD, 2015[5]); supporting economic and social development; fostering innovation (Appelt and Galindo-Rueda, 2016[6]);

encouraging socially responsible suppliers into the global value chain; and promoting social and gender inclusiveness. In fact, all OECD countries have integrated broader public policy objectives into their public procurement system. The OECD Recommendation of the Council on Public Procurement (2015) puts into perspective the strategic role that public procurement plays in achieving efficiencies and economic gains, as well as promoting secondary policy objectives (see Box 1.1). (OECD, 2015[1])

Box 1.1. OECD Recommendation on Public Procurement – Principle on Balance

The Council:

V. RECOMMENDS that Adherents recognise that any use of the public procurement system to pursue secondary policy objectives should be balanced against the primary procurement objective.

To this end, Adherents should:

i) Evaluate the use of public procurement as one method of pursuing secondary policy objectives in accordance with clear national priorities, balancing the potential benefits against the need to achieve value for money. Both the capacity of the procurement workforce to support secondary policy objectives and the burden associated with monitoring progress in promoting such objectives should be considered.

ii) Develop an appropriate strategy for the integration of secondary policy objectives in public procurement systems. For secondary policy objectives that will be supported by public procurement, appropriate planning, baseline analysis, risk assessment and target outcomes should be established as the basis for the development of action plans or guidelines for implementation.

iii) Employ appropriate impact assessment methodology to measure the effectiveness of procurement in achieving secondary policy objectives. The results of any use of the public procurement system to support secondary policy objectives should be measured according to appropriate milestones to provide policy makers with necessary information regarding the benefits and costs of such use. Effectiveness should be measured both at the level of individual procurements, and against policy objective target outcomes. Additionally, the aggregate effect of pursuing secondary policy objectives on the public procurement system should be periodically assessed to address potential objective overload.

Note: Secondary policy objectives refers to any of a variety of objectives such as sustainable green growth, the development of small and medium-sized enterprises, innovation, standards for responsible business conduct or broader industrial policy objectives, which governments increasingly pursue through use of procurement as a policy lever, in addition to the primary procurement objective.

Source: (OECD, 2015[1]).

Among the various policy objectives governments address through public procurement, environmental performance was the first to gain traction in OECD and non-OECD countries. Even so, support for small and medium-sized enterprises (SMEs) has increasingly become another key area. Governments have developed a host of policies, initiatives and measures to facilitate their access to public procurement markets, and, in some cases they indeed support SME development through the economic leverage of public

procurement. This chapter discusses the rationale behind SME-enablement programmes, and gives an overview of the development of public procurement policies and strategies to support SMEs.

1.1. Understanding the SME ecosystem

To identify and assess the procurement policies and strategies implemented by countries that are supporting or enabling SMEs, an initial understanding of the SME ecosystem is necessary – and this is where the first challenges arise. Indeed, one common way to define SMEs is as non-subsidiary firms that employ fewer than a given number of employees, taking into consideration business aggregation and independence parameters. However, the number of employees used for SME definition varies from country to country, and is sometimes combined with other factors such as turnover and financial assets.

In the European Union (EU), the most common upper limit personnel designation of an SME is 250 employees. Small firms often refer to those with fewer than 50 employees and micro-enterprises fewer than 10. In addition to staff headcount, turnover and financial assets are also considered when defining micro-, small- and medium-sized enterprises (Table 1.1).

Table 1.1. Definition of an SME in the European Union

	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	<250	≤ EUR 50 million		≤ EUR 43 million
Small	<50	≤ EUR 10 million		≤ EUR 10 million
Micro	<10	≤ EUR 3 million		≤ EUR 3 million

Note: Small and medium-sized enterprises are defined in EU Recommendation 2003/361.
Source: (European Commission, n.d.[7]).

In the United States, the Small Business Administration establishes the definition of small businesses, which is matched to the North American Industry Classification System. The Small Business Size Standard specifies the largest size that a business can be to still be classified as a small business, which is described in terms of number of employees or average annual receipts. The standard varies by industry (US Small Business Administration, 2017[8]).

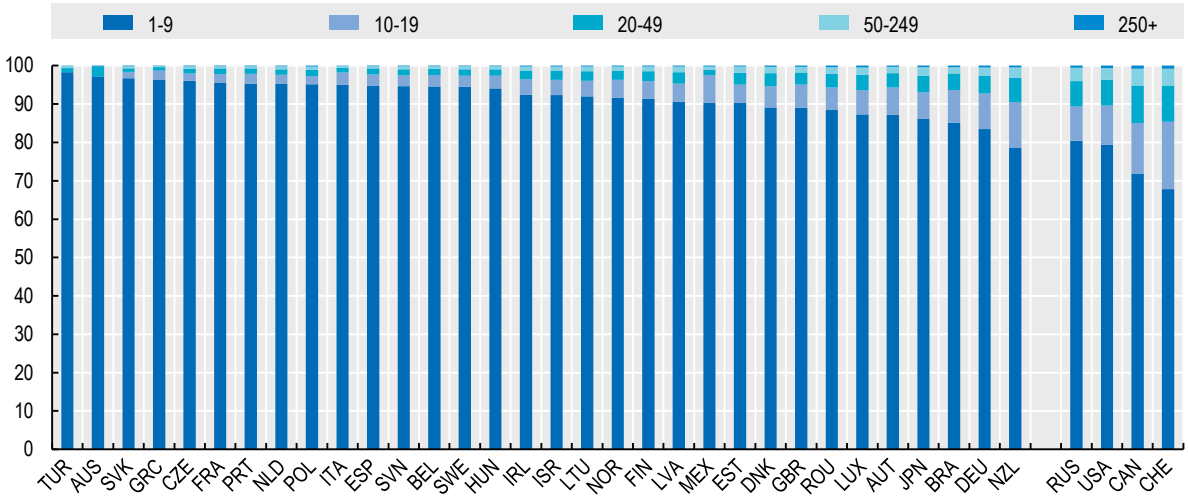
In Korea, SMEs are defined solely in terms of sales volume, either annual or average, as stated in the Framework Act on Small and Medium Enterprises. In addition to the criteria for inclusion as an SME, there are specific factors that can exclude an enterprise from SME status, including where an enterprise whose total assets exceed USD 423.8 million own more than 30% of the total and outstanding shares (OECD, 2016[9]).

1.2. SME development supports inclusive growth

SMEs are the backbone of national economies in OECD and non-OECD countries alike, and crucial actors in the global economy. They represent practically the totality of the business population, and account for large shares of employment. In 2014, SMEs accounted for more than 99% of all firms (Figure 1.2) and 60% of total employment (Figure 1.3) in the non-financial business sector of the OECD area.

Figure 1.2. Enterprises by size, non-financial business sector

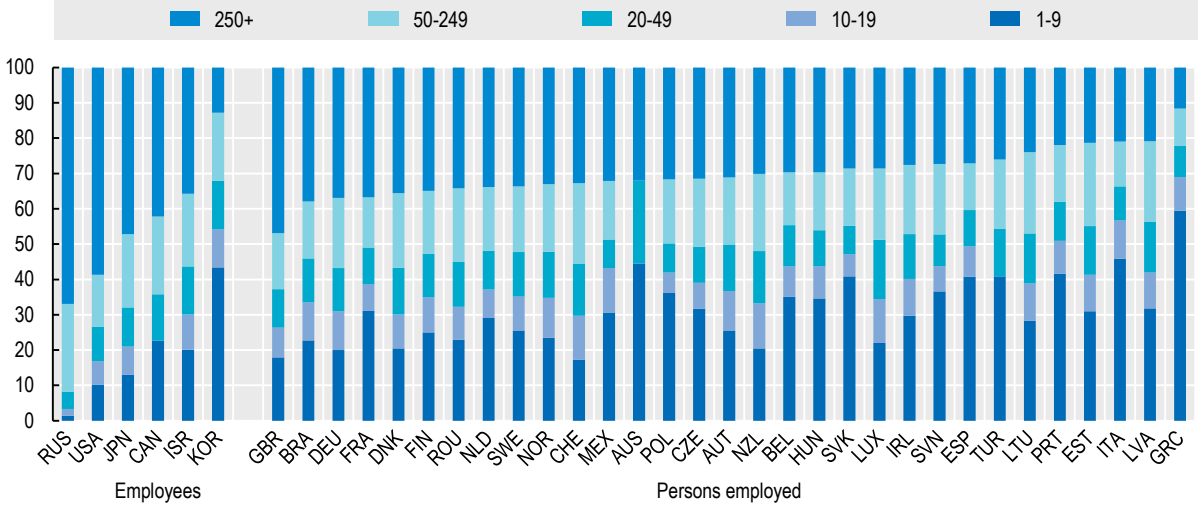
Percentage of all enterprises, 2014 or latest available year



Note: For USA, RUS and CAN, data do not include non-employers. Data for CHE exclude enterprises with less than 3 persons employed.
For AUS and TUR, 1-9 refers to 1-19. For AUS, 20-49 refers to 20-199, 250+ refers to 200+. For JPN, 50-249 refers to 50-299, 250+ refers to 300+.
For AUS, CAN, ISR, NZL and RUS, data refer to 2015; for MEX, 2013; and for JPN, 2011.
For KOR and MEX, data refer to establishments. For GBR, data exclude small unregistered businesses; these are both self-employed without a VAT or PAYE administrative basis and incorporated businesses with one employee, as the latter are likely to be owners/workers in the business.
Source: (OECD, 2017[10]).

Figure 1.3. Employment by enterprise size, non-financial business sector

Percentage of all persons employed, 2014 or latest available year



Note: Data for RUS, USA, JPN, CAN, ISR and KOR, are based on number of employees. Data for CHE exclude information for enterprises with less than 3 persons employed.

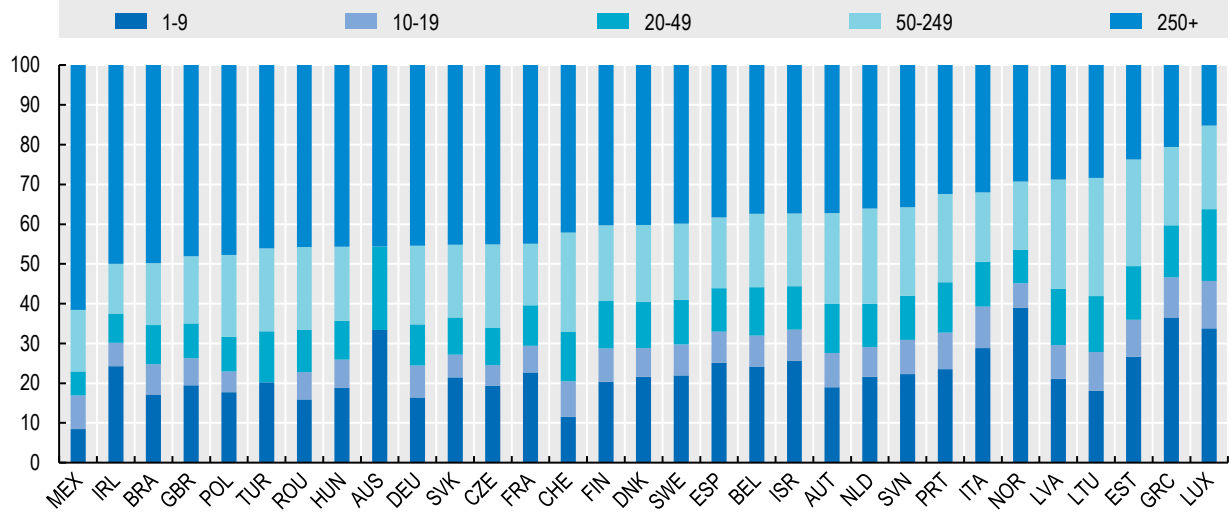
Data for KOR, MEX are based on establishments. For AUS, CAN and TUR, 1-9 refers to 1-19. For AUS, 20-49 refers to 20-199, and 250+ refers to 200+. For CAN, JPN and KOR, size class 50-249 refers to 50-299, and 250+ refers to 300+.
Reference year: CAN, ISR, NZL, RUS: 2015; MEX: 2013.
Data for GBR data exclude small unregistered businesses; these are both self-employed without VAT or PAYE administrative basis and incorporated businesses with one employee, as the latter are likely to be owners/workers in the business. Data for JPN were compiled in Japanese Industrial Classification and include overseas employment. Data for RUS were reported in International Standard Industrial Classification (ISIC) Rev.3.
Source: (OECD, 2017[10]).

In addition to their economic presence, representing the dominant form of businesses, SMEs are significant contributors to value added in the economy. In 2013, they generated between 50% and 60% of value added in OECD countries (Figure 1.4). The relatively lower level of SMEs represented in exporting activities are considered to underestimate their actual engagement. Their leading role as providers of intermediate inputs for exports become more evident when looking at the data on SMEs' value added in exports (López González, 2017[11]).

Their contribution in terms of both employment and value added tends to be higher in the service sector, as compared with manufacturing (Figure 1.5). This can be in large part explained by the increasing returns to scale from more capital-intensive production in the manufacturing sector.

Figure 1.4. Value added by enterprise size, non-financial business sector

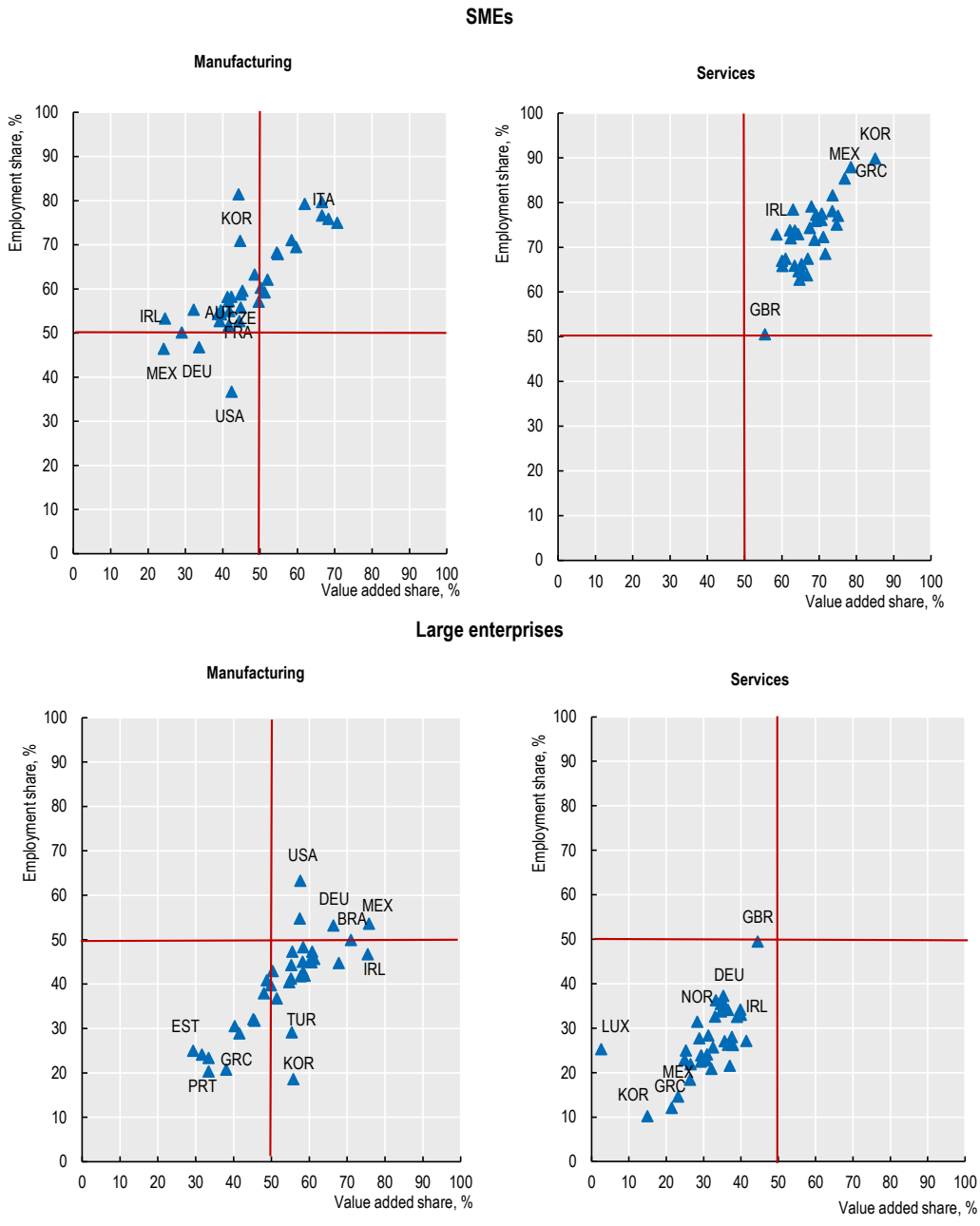
Percentage of total value added, total business economy, 2014, or latest available year



Note: ISR data include value added of enterprises with at least 1 employee. CHE data exclude enterprises with fewer than 3 persons employed. AUS: 1-9 refers to 1-19, 20-49 refers to 20-199, 250+ refers to 200+; TUR:1-9 refers to 1-19. ISR, MEX: data refer to 2013; TUR: 2012. Data refer to value added at factor costs in European countries and value added at basic prices for other countries. Data cover business economy excluding financial intermediation. Data for MEX refer to establishments.
Source: (OECD, 2017[10]).

Figure 1.5. Contribution of SMEs and large enterprises to employment and value added

Percentage of total employment and of total value added, 2013 or latest available year

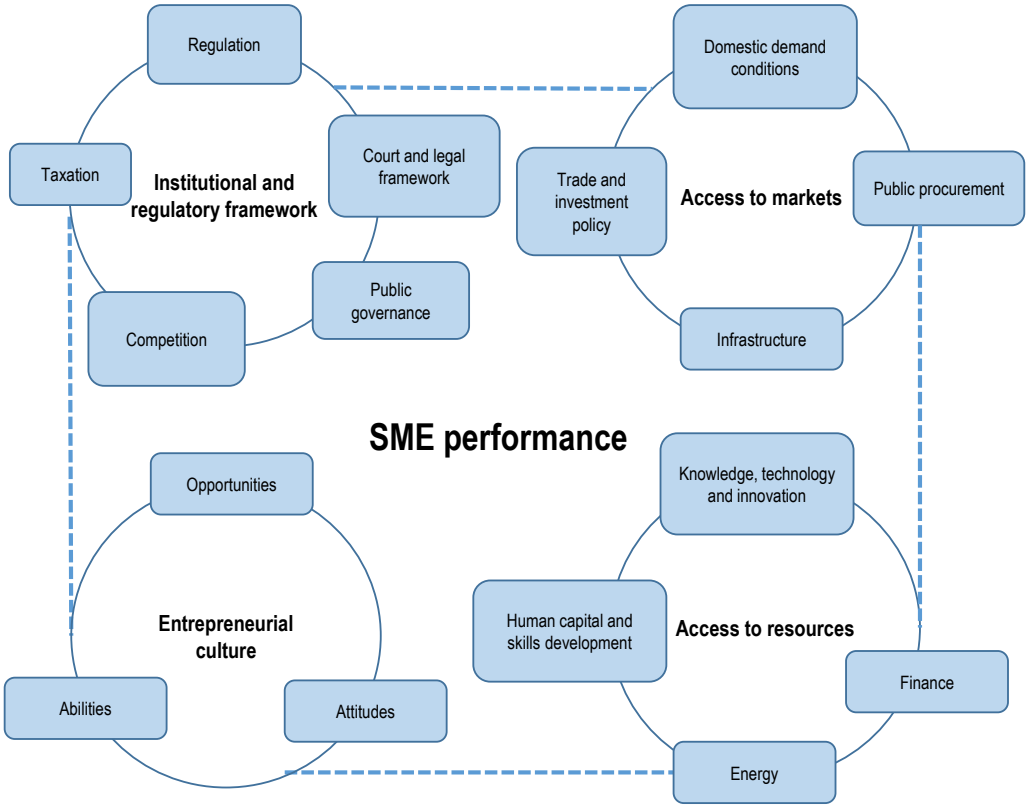


Notes: AUS: SMEs refer to < 200 persons employed.
CAN, JPN, KOR: SMEs refer to < 300 persons employed.
CAN, CHE, ISR, JPN, KOR, USA, RUS: SME data do not include non-employers.
Reference year: CAN, ISR, KOR, MEX: 2014; JPN, RUS: 2012; IRL: 2011.
Data for KOR, MEX refer to establishments
Value added data refer to value added at factor costs in European countries and at basic prices for other countries.
Data cover the business economy, excluding financial intermediation.

GBR: SME data exclude an estimate of 2.6 million small unregistered businesses; these are both self-employed without a VAT or PAYE administrative basis and incorporated businesses with one employee, as the latter are likely to be owners/workers in the business.
Source: (OECD, 2016[12]).

SMEs are the prime focus of economic policies of many governments. Recognising their contribution to (among others) employment, productivity and innovation, among others, governments endeavour to provide an environment conducive for their growth so as to fully exploit the potential of SMEs in promoting economic prosperity and social well-being. These efforts include various elements of the business environment, including the institutional and regulatory framework, access to markets, access to resources, and entrepreneurial culture (Figure 1.6). Within this, conditions for accessing public procurement markets constitute one key element for their development. Furthermore, the institutional and regulatory frameworks that shape public procurement markets also influence SME's access to resources and entrepreneurial cultures.

Figure 1.6. SME business environment: A conceptual framework



Source: (OECD, 2017[13]).

1.3. Engaging SMEs in public procurement brings benefits

Engaging SMEs in public procurement helps governments to better meet the procurement needs of the public sector. Increasing their participation in the public procurement market ensures a more competitive bidding process and affords access to a wider choice of available and innovative solutions (Flynn and Davis, 2017[14]). This in turn helps

governments to meet the needs of the contracting authorities in a more responsive way and achieve better value for money in their purchases. The benefits from engaging SMEs in public procurement have long been acknowledged. For instance, an advisory committee report published in 2008 in the United Kingdom on actions to reduce the barriers that SMEs face in the public procurement market clearly recognises these benefits that SMEs can offer (Box 1.2).

Box 1.2. Benefits SMEs can offer

Better value for money – Bringing in more suppliers will often bring greater competition to the market place, reducing the costs of procurement from all suppliers. SMEs have lower administrative overheads and management costs than larger firms, depending on the nature of the procurement; this can result in lower prices.

Better quality of service – SMEs have short management chains and approval routes, so they can respond quickly to changing requirements. SMEs may also be highly focused on particular markets, making them particularly responsive to changes in those markets.

SMEs are often better able to offer a more personal level of service, – developing bespoke products and services or tailoring existing ones to meet specific customer needs – and to develop long-lasting relationships with their customers.

SMEs may also be better able to supply higher-.quality specialist products or services than their larger competitors, either because larger suppliers are discouraged by the limited demand, or because by concentrating on niche markets SMEs can retail skills, originality and commitment in that field that are greater than those found in larger competitors.

More innovation – SMEs can bring innovation through the early exploitation of new technology, providing products or services in new or underdeveloped markets, or by using innovation to differentiate themselves from established market players.

Source: (HM Treasury, 2008[15]).

Public procurement markets also provide SMEs with attractive business opportunities. The large sum of money spent on public procurement – again, representing approximately 12% of GDP in OECD countries (OECD, 2017[4]) – and the diversity and stability of the public sector's needs result in mutual benefits for SMEs and government. There are moreover additional factors that make governments attractive customers for SMEs:

- SMEs can be assured that government will engage in fair business practices. Public procurement is subject to laws, regulations, policies, and, for most OECD countries, trade obligations. Many jurisdictions in OECD countries include fair and equal treatment of bidders among the core principles of their public procurement systems.
- Experience as a supplier to a government may give the SME a trusted status and recognition as such in other markets. This experience demonstrates the credibility and competency of SMEs, in terms of meeting the requirements, deadlines, and terms and conditions of delivery set in the tender documentation.

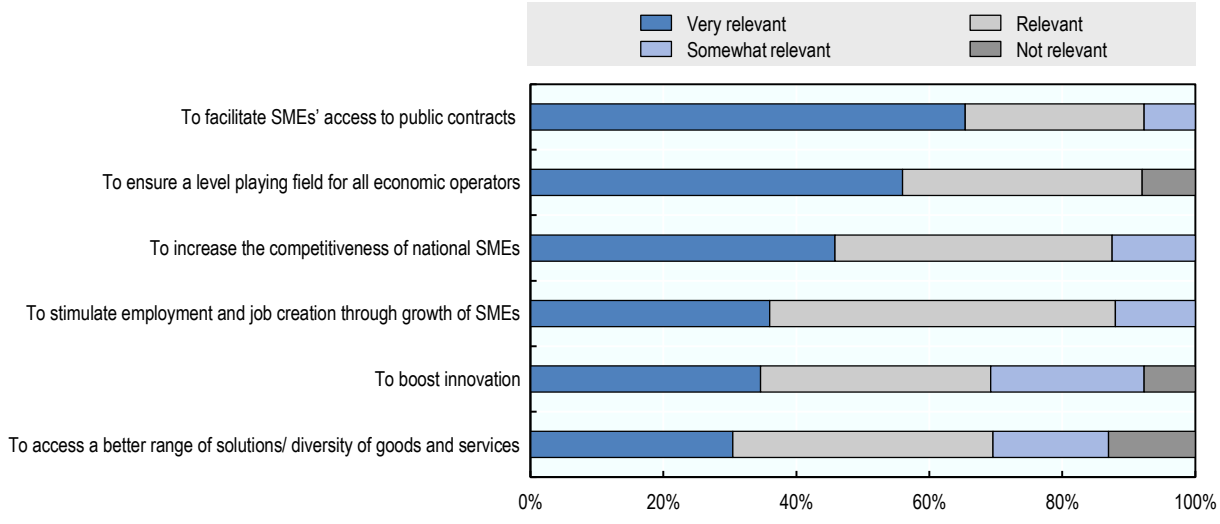
Engaging SMEs in public procurement could in fact result in economic and social benefits on a wider scale, through SME growth. This potential often informs the objectives of different SME-enablement and support programmes that facilitate their access to and

chance of winning public procurement opportunities. Establishing business relationships with governments could increase the volume and stability of demand for SMEs, and thus provide a favourable environment for them to invest and scale up. Additionally, as SMEs constitute substantive contributors to employment, value added and innovation, certain programmes seek the economic and social benefits by focusing on subgroups of SMEs, such as innovative entrepreneurs. Further economic benefits include supporting the creation of new supply markets, responding to supply market dominance and fragmentation, and (thus) helping maintain an effective level of competition (Caldwell et al., 2005[16]).

There are also social and political justifications for policies supporting SMEs. These can be found for instance in government policies to support certain subgroups of SMEs that are historically, economically and/or socially disadvantaged, such as minority support policies. Such diverse rationales behind SME policies may have resulted in policy goals being stated in very broad and political terms (Nicholas and Fruhmann, 2014[17]).

Recognising these benefits, governments in OECD and non-OECD countries have developed a host of strategies and policies to fully exploit the potential of engaging SMEs in public procurement. Indeed, the most commonly discussed objectives that they aim to achieve include facilitating SMEs' access to public contracts and ensuring a level playing field for all economic operators. In addition to opening up public procurement markets to offer suppliers equal opportunities, SME policies and strategies are often employed by countries to achieve domestic economic and societal development. Promoting their growth can, for instance, increase the competitiveness of national SMEs; stimulate employment and job creation; and boosting innovation. For the contracting authorities, countries pointed to the objective of accessing a wider and more diverse range of solutions (Figure 1.7).

Figure 1.7. Main strategy/policy objectives in facilitating SME participation in public procurement



Note: Based on survey responses received from 26 OECD countries. The survey respondents were asked to indicate how relevant each option is in their country context – from 1 (not relevant) to 4 (very relevant).
Source: 2017 OECD survey on strategic use of public procurement to support SMEs.

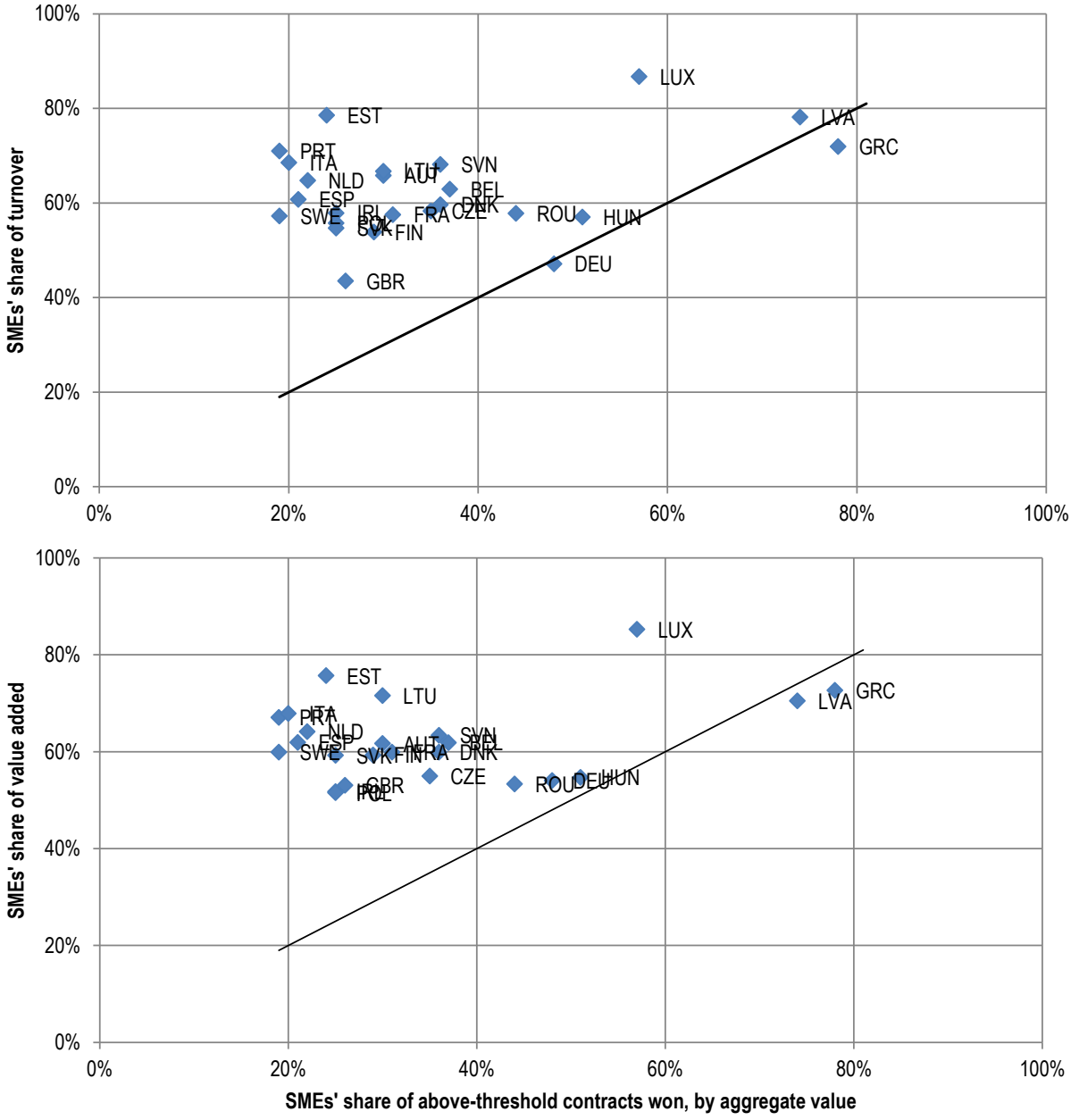
In contrast to discussions on the benefits of engaging SMEs in public procurement, the cost of doing so has not yet been fully explored. There exist diverse policy options to facilitate SME participation and support their performance in public procurement, which will be discussed in subsequent chapters. Among them, some measures that favour SMEs in tender processes, for instance, may incur an efficiency cost, or an opportunity cost of limiting certain competent and competitive large firms from participating. Certain studies suggest that economic returns from SME growth offset the efficiency losses associated with SME contracting (Storey, 1999[18]). This argument however relies on a concrete understanding of the costs of the support measures. The current lack of evidence on the costs, as well as on the extent to which each measure affects economic and social outcomes, hinders the policy discussions (see Chapter 5.).

1.4. SMEs face difficulties in participating in public procurement markets

Despite the potential benefits of having SMEs participate in public procurement markets, they are in fact underrepresented in the process compared with their overall weight in the economy. Consensus is currently lacking on the share of public procurement contracts that should go to SMEs. However, the figures on their share of public procurement contracts are often lower than their share of the market, for instance, in terms of value added or turnover (Figure 1.8). This underperformance of SMEs in public procurement markets could be "taken as evidence of market failure that justifies intervention" (Nicholas and Fruhmann, 2014[17]).

Figure 1.8. SMEs' share of public contracts won, compared with their market share for some European countries

SMEs' share of above-threshold contracts won, by aggregate value of contracts, average total for 2009-2011 (percent) compared with SMEs' share of turnover (2013) and value-added (2013)



Note: The line in each figure represents a line of equality, which means that the vertical or horizontal distance between the data point and the line represents the difference between the values on x- and y-axes.
For a methodological discussion on the calculation of SMEs' share of above-threshold contracts won, please refer to (PwC, ICF GHK and Ecorys, 2014[19]).
For detailed information on turnover and value added, please refer to (OECD, 2016[12]).
Source: Adapted from (PwC, ICF GHK and Ecorys, 2014[19]) and (OECD, 2016[12]).

That being said, at least two elements make it difficult to assess the share of public procurement contracts that should go to SMEs. Indeed, many SMEs – and probably an even larger share of micro-enterprises – are not interested in public contracts, because their activities do not correspond to the needs of public purchasing authorities (for instance florist retailers, café-bars, cobblers, craftsmen and small shopkeepers working usually for natural persons). While it is logical to take this share into account to determine the overall weight of SMEs in the economy, comparing their activities to the procurement needs of public authorities can only reduce SMEs' fair share of public contracts compared to their overall weight in the economy.

In addition, there are SMEs that participate to some extent in public procurement, but are not taken into account in many statistics. Examples include enterprises that do not directly apply for public contracts but carry out a part of the contract on behalf of the prime contractor, and as described in technical documents of the contract. Such enterprises are often qualified as sub-contractors, a category that in fact includes a large share of SMEs (see section 2.3.3 for further discussion). Others supply prime contractors with components that will be incorporated into the final product delivered to the procuring entity (for instance windows or undercarriages for planes). Here too, enterprises with this function generally are SMEs. In both of these cases, even if the procuring entity has no relation with the enterprises in the supply chain, the award of a public contract leads to the award of second rank contracts and to payments made by the prime contractor to other enterprises which are often SMEs. Therefore, although these second rank contracts are often not registered in the share of public contracts that goes to SMEs, they may be a significant part of the SMEs' activity.

The underperformance of SMEs is recognised both by governments and SMEs themselves. The long history of policy decisions by governments to support SMEs in public procurement reflects that recognition, as well as acknowledgement of the difficulties SMEs have expressed having associated with accessing public procurement markets.

Addressing the barriers to participation by suppliers of all types in public procurement markets has been one of the main areas of public procurement reforms. Facilitating SME participation is not a recent trend; governments and academics have long considered SMEs' performance in the public procurement market in order to understand the barriers. Many studies have tried to comprehend in particular the barriers that small firms face in accessing government contracts, and the reasons for their reluctance to sell to governments. An early examples of this can be found in the study carried out by MacManus (MacManus, 1991[20]). This academic study of data from the late 1980s involved a survey among a large number of businesses in two counties, of Texas and Florida, in the United States. From the survey it was able to identify a set of difficulties that firms encounter in doing business with the government at a sub-regional level:

- Slow payment cycles (44.5%)
- Bid specifications written too narrowly to permit real competition (35.5%)
- Difficulty making contact with actual user of service/product (31.6%)
- Too much paperwork required for application (28.8%)
- Competition from other firms pushes prices too low for firm to compete (27.8%)
- Confusion over official responsible for specific purchasing decision (26.9%)
- Reluctance to consider new products/services (25.7%)
- Bid specifications written too generally and imprecisely (23.9%)
- Too much paperwork required for contract received (23.7%)
- Inordinate delays between bid closing and actual contract decision (23.4%)

- Difficulty in competing against large firms (22.4%)
- Absence of rigorous performance audits to weed out bad contractors (19.6%)
- Bid bond requirement (18.3%)
- Performance bond requirement (17.0%) (MacManus, 1991[20]).

Many of the challenges SMEs faced in participating in public procurement in the 1980s and 1990s persist today. Governments have reacted with policy measures to remove the barriers and facilitate access to both national and international markets. In spite of the efforts made by governments to address the constraints identified by SMEs, today discussions still focus on how to remedy the situation. As a result of the 2012 consultation across Europe, procedures for awarding public contracts ranked in the top 10 most burdensome EU laws for SMEs (European Commission, 2013[21]). This consultation gave momentum to revision of the directives that govern public procurement market in the European Union – with special attention given to facilitating SME access (see Box 1.3).

Box 1.3. Legal revision to facilitate SME access to public procurement markets in the European Union

The European Commission (EC) published the *European Code of Best Practices Facilitating Access by SMEs to Public Procurement Contracts* in 2008 in order to make public procurement of all sizes as accessible as possible to SMEs. The Code highlights and elaborates a number of practices within the EU regulatory framework that optimise tenders for the participation of SMEs and ensure equality of opportunity. It also describes best practice and provides guidance to EU Member States and their contracting authorities so that they can fully exploit the potential of the EU public procurement directives. The Code aims to provide a level playing field for all economic operators wishing to participate in public tendering.

In a broad consultation initiated by the EC carried out in 2012, approximately 1 000 SMEs and business organisations identified the public procurement regime as one of the top 10 most burdensome EU laws.

During the process of revising the public procurement directives, the European Parliament requested that the EC apply more effort to facilitating SME access to procurement markets, in particular by:

- evaluating the impact of public procurement directives on SMEs in their role as subcontractors, and assessing whether further rules on the award of subcontracts are required (with the specific aim of ensuring that SMEs as subcontractors are not subject to worse conditions than the main contractor awarded the public contract)
- simplifying public procurement procedures so as to ensure that contracting authorities and companies are not obliged to spend a huge amount of time and money on purely bureaucratic matters.

When the new public procurement package was introduced in April 2016, the promotion of SMEs was highlighted as one of the five main points of public procurement reform. The measures provided in the Directive to facilitate the participation of SMEs in public tenders can be summarised as follows:

- Contracting authorities are encouraged to divide contracts into lots, making tenders more accessible to SMEs.
- The turnover required to participate in a tender procedure is limited, allowing more SMEs and newcomers to participate.
- The documentation requirements for procurement procedures are considerably reduced and streamlined.
- The mandatory use of e-procurement allows SMEs to exploit the full benefits of the Digital Single Market, and will bring efficiency gains.

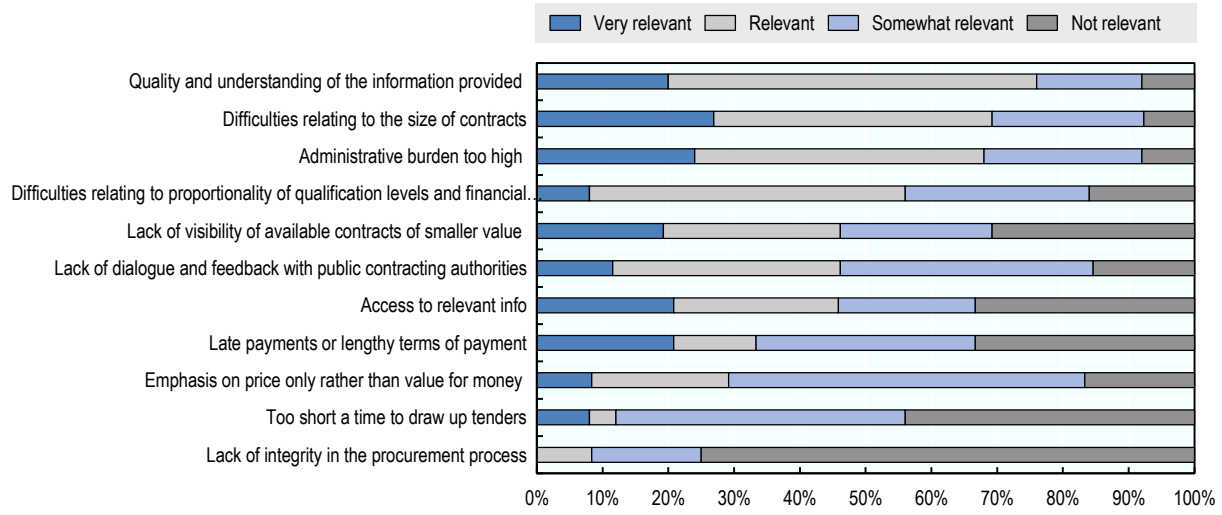
Source: (OECD SIGMA, 2016[22]).

To illustrate some of the hurdles faced by SMEs in accessing public procurement markets, a recent study carried out by ChileCompra, the Chilean central purchasing body, identified the following barriers to Chilean SMEs participating in the public procurement market:

- very large contracts
- insufficient access to information on business opportunities in public procurement
- lack of knowledge regarding public procurement procedures
- excessive bureaucracy
- limited experience in bidding
- expensive standards and certification requirements
- disproportionate levels of technical qualification
- disproportionate levels of financial qualifications and incompatible payment terms
- unclear tender requirements
- lack of time to prepare bids
- preference for lowest price tenders
- centralisation of public procurement contracts
- lack of feedback from public buyers (EBRD, 2017[23]).

Major barriers identified by governments echo across jurisdictions and time. The main constraints identified by public procurement policy makers and practitioners in OECD countries reaffirm the survey conclusions (Figure 1.9). While these findings cannot conclusively say to what extent they pose a burden on SME participation or their evolution over time, the complexity and administrative burden of public procurement systems seem to persist as one of the main impediments for SME participation.

Figure 1.9. Main constraints on SME access to public contracts in OECD countries



Note: Based on survey responses received from 26 OECD countries. The survey respondents were asked to indicate how relevant each constraint is in their country context –from 1 (not relevant) to 4 (very relevant).
Source: 2017 OECD survey on strategic use of public procurement to support SMEs.

These constraints are not limited to the bidders when accessing public contracts. After an SME decides to participate in a public tender, it faces various constraints at each stage of the process (Table 1.2). These relate to the SMEs' resources and capacity, which can be disproportionately affected by the design of the procurement process.

Table 1.2. SMEs' public procurement challenges by stage of procurement

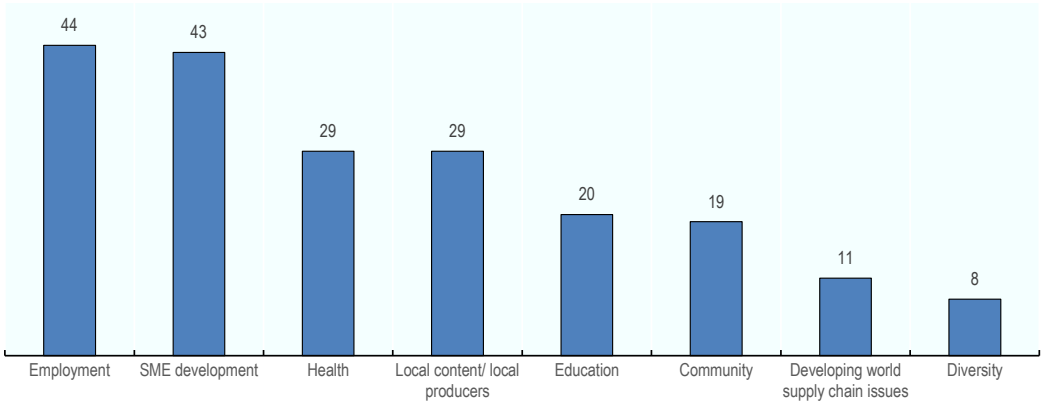
Stages of procurement	Challenges
Access to information	• Finding opportunities on tendering platforms on line. • Suppliers do not know whom to contact when seeking contracts or clarification. Buyers are inaccessible. Information is disorganised. • Lack of information or feedback for understanding the procurement process. Lack of related training (e.g. bid writing, submission process). • Preconceptions that governments prefer to contract with large suppliers.
Pre-qualification	• Clarity of solicitation documents. Limited resources to engage in prequalification processes (e.g. vetting bids). • Governments ask inappropriate questions (e.g. proprietary information). • Time invested does not guarantee invitation to tender. Excessive paperwork. • Lack of feedback following prequalification stage of applications. • Unspecified use of proprietary information (e.g. informal, on websites). • Difficulty getting on bid lists for local contracts. • Restrictive bonding or securing requirements.
Tendering	• Contracts awarded based on lowest price rather than overall best value. • Suspicion that selection processes favour insiders and established firms. • Cost of bidding. Contract bundling that limits SME opportunities. • Federal jargon and complex legislation (national and international standards) create unrealistic expectations with respect to technical and financial capacity and compliance standards. • Just-in-time procurement (inventory) reduces the number of long-term relationship and limits number of suppliers. • Sub-contracting is as difficult as contracting directly with governments.
Contract administration	• Lack of capacity and resources to meet compliance requirements. • Complexity of federal accounting and payment systems/schedules. • Inflexible terms of payment even when caused by government delays.
On-going relationship management	• Expectation creep, unplanned and unrealistic demands. • Informal add-ons without due compensation. • Turnover of federal employees and loss of relationships. • Lack of communication with respect to expectations.

Source: (Liao, Orser and Riding, 2017[24]).

1.5. Integrating SME consideration into public procurement policies

Policy makers increasingly recognise the strategic dimension of public procurement and its potential to contribute to socio-economic development. These changes in how public procurement is perceived have led to reforms of public procurement systems in many countries. Amidst these changes, supporting SMEs has been at the centre of the public procurement policy agenda. In fact, the survey carried out by the United Nations Environment Programme (UNEP) has identified employment and SME development as top priority areas for governments' sustainable public procurement policies (Figure 1.10).

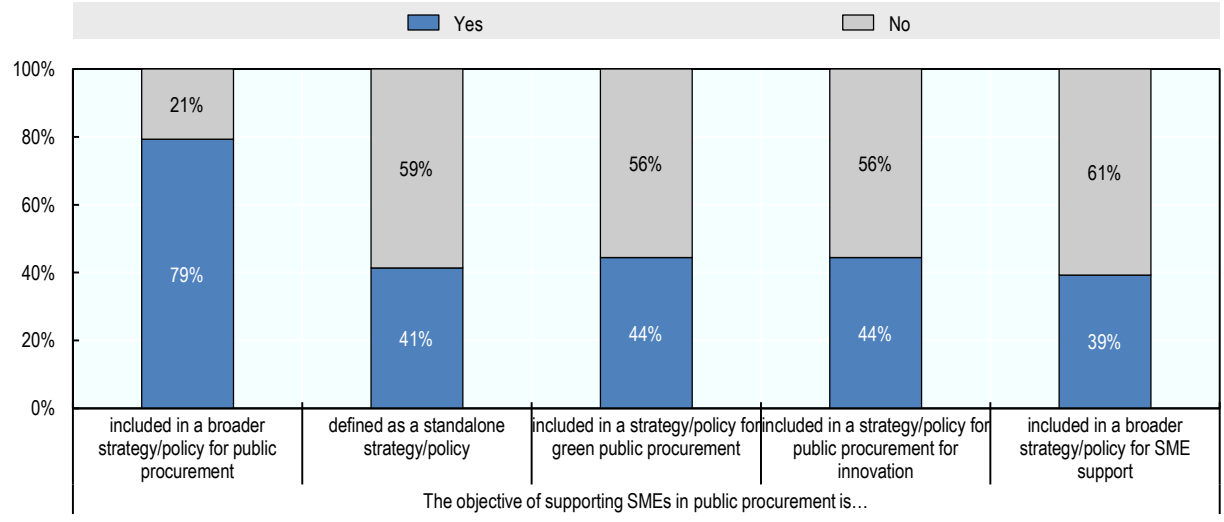
Figure 1.10. Priority social goals in sustainable public procurement policies



Source: (UNEP, 2013[25]).

The objective of supporting SMEs and facilitating their access is actually embedded in public procurement policies and strategies in most OECD countries (Figure 1.11). This strategic dimension principally supports use of the public sector's purchasing power to stimulate SME participation and competition, thus increasing value for money in carrying out public procurement. It also reinforces governments' aspiration and commitment to modernising the public sector, stimulating the competitiveness of SMEs, fostering innovation, and supporting sustainable and inclusive growth. Linking this strategic use of public procurement to enabling SMEs could be integrated into broader SME support policies in order to reinforce the policy linkages by considering possible synergies and trade-offs between them.

Figure 1.11. Incorporating support of SMEs in public procurement and/or wider policy in 31 OECD countries



Source: 2017 OECD survey on strategic use of public procurement to support SMEs.

The legal and regulatory frameworks that govern public procurement in OECD countries include provisions that ensure SMEs get a fair chance of participating in public procurement markets, such as through the principle of fair competition in Australia's Commonwealth Procurement Rules (Box 1.4). In some cases, such as that of Mexico (Box 1.4), the frameworks include specific provisions that apply to SMEs in order to facilitate their participation in public procurement.

Box 1.4. Objective of supporting SMEs in legal public procurement frameworks

Australia's Commonwealth Procurement Rules

5.4 To ensure that SMEs can engage in fair competition for Australian Government business, officials should apply procurement practices that do not unfairly discriminate against SMEs and provide appropriate opportunities for SMEs to compete. Officials should consider, in the context of value for money:

a. the benefits of doing business with competitive SMEs when specifying requirements and evaluating value for money;

b. barriers to entry, such as costly preparation of submissions, that may prevent SMEs from competing;

c. SMEs' capabilities and their commitment to local or regional markets; and

d. the potential benefits of having a larger, more competitive supplier base.

5.5 The Australian Government is committed to non-corporate Commonwealth entities sourcing at least 10% of procurement by value from SMEs.

Mexico's Law of Acquisition, Leases and Services for the Public Sector

The Law of Acquisition, Leases and Services for the Public Sector (*Ley de Adquisiciones, Arrendamientos y Servicios del Sector Público*) stipulates that:

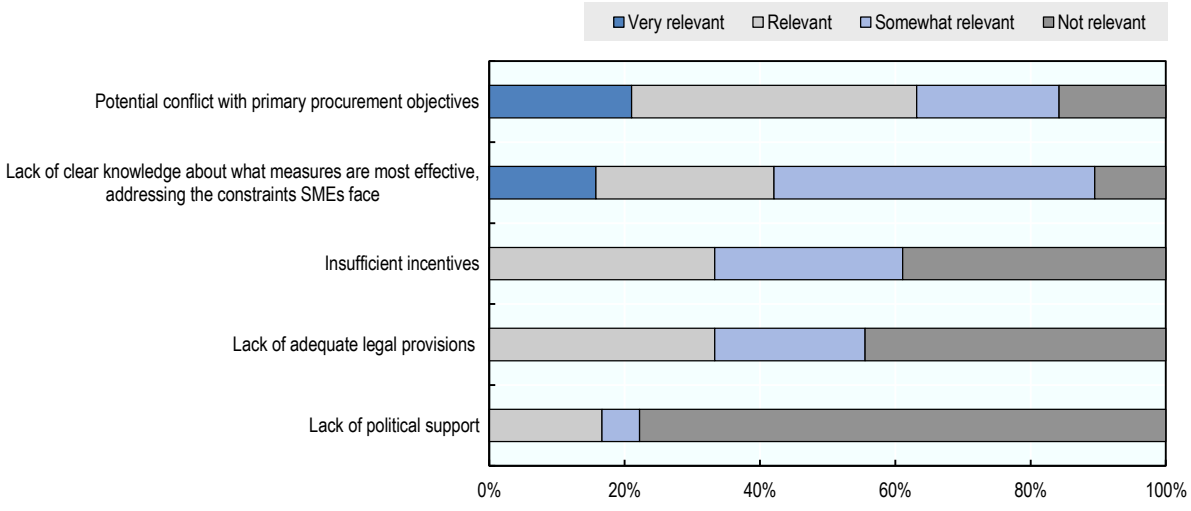
- The Ministry of Economy is in charge of promoting enterprise participation, especially SME participation, in public procurement. Agencies moreover must put in place programmes to develop SME suppliers in order to strengthen the supply chain of goods and services that are regularly procured.
- In cases of goods with a manufacturing process of longer than 60 days, agencies and entities shall provide, under equal circumstances, from 10% to 50% of advance payment when the supplier is a micro, small or medium-sized national enterprise.
- In cases of evaluation by points and percentages, agencies must give extra points to small and medium-sized enterprises that produce goods using innovative technology, in accordance with the Mexican Institute of Industry Property.
- Where candidates are equal, preference will be accorded to persons who are part of national SME's.

Source: Country responses to the 2017 OECD Survey on strategic use of public procurement to support SMEs.

In countries where support for SMEs is not explicitly mentioned in legal or regulatory frameworks, it is typically reflected in provisions related to competition and equal and fair treatment of bidders and suppliers so as to facilitate SME participation in public procurement. For instance, the 2014 EU directives on public procurement include new rules that aim to simplify procedures and make them more flexible, which will be of particular benefit to SMEs. These rules had to be transposed into the national laws of Member Countries by April 2016. In line with this obligation, Sweden for instance has adopted a National Procurement Strategy, which includes the objective of ensuring a multiplicity of suppliers and well-functioning competition. In this strategy, the Swedish Government encourages contracting authorities to ensure that they actively strive to provide a real chance for small enterprises to participate in public procurement, for example by removing barriers such as excessive criteria for economic and financial capacity where they are unjustified. This is also the case in Switzerland, where the government has put particular emphasis on ensuring non-discriminatory, open and transparent competition in public procurement markets, and on addressing SMEs' needs in participating in domestic and international markets.

The policies and strategies to support SMEs in public procurement reflect the political will to do so, as well as the wide recognition of public procurement as a key policy area to advance this objective. In developing them, lack of political support has not been a critical issue. Governments however did face certain challenges, especially regarding the potential conflict of such policies and strategies with the primary procurement objective, which is to deliver goods and services necessary to accomplish the government's mission in a timely, economical and efficient manner. As such, while the need to develop the policies and strategies had been widely agreed, establishing the exact measures to develop and the means for implementing them have been more challenging issues (Figure 1.12).

Figure 1.12. Challenges in developing strategies / policies to support SMEs in public procurement



Note: The survey respondents were asked to indicate how relevant each challenge is in their country context – from 1 (not relevant) to 4 (very relevant).
Source: 2017 OECD survey on strategic use of public procurement to support SMEs.

1.6. Supporting SMEs to reinforce the strategic use of public procurement

Strategic public procurement initiatives aiming at using public procurement to, for instance, promote innovation, protect the environment and strengthen social cohesion (through addressing gender inclusiveness and socially disadvantaged groups) give special attention to SMEs. As shown in Figure 1.11 above, public procurement strategies for green public procurement and public procurement for innovation commonly reflect the objective of supporting SMEs in those procurements; such was the case for 44% of the countries responding to the survey. This section analyses SMEs' particular contribution to promoting innovation and environmental protection, and provides an overview of how they are addressed in such initiatives.

1.6.1. SMEs are large contributors to innovation

Innovation is a key driver of productivity and long-term growth. Innovation in SMEs in particular is at the core of inclusive growth strategies. While SMEs are, on average, less innovative than large companies, they are often the source of radical innovations and constitute the bulk of high-growth firms (OECD, 2018[26]). One reason may be that in small companies there is little organisational or hierarchical overhead, and new ideas can be tested spontaneously without being subjected to long approval procedures. Another reason is that innovative ideas are often the genesis from which a company is founded. The innovative idea is then developed as a business, though initially this may only have limited scope (OECD, 2017[27]).

Innovative SMEs could find additional challenges in accessing the public procurement market due to, for instance, the risk-averse nature of public procurement officials. In fact, the participation of innovative firms in public procurement market is more common for large firms than SMEs (Appelt and Galindo-Rueda, 2016[6]).

At the same time, participation in public sector markets provide a major source of demand for innovative SMEs. Indeed, the level of innovative SME participation in public procurement markets, though being still relatively low, is higher than that for general SME population (OECD, 2017[28]).

Recognising the key role of SMEs in public procurement for innovation and the benefits of engaging them in public procurement, governments provide various forms of support for them to participate, including direct financial incentives and guarantees. Or, they may employ an indirect measure such as an SME participation quote, administrative assistance, training offers or other means to facilitate access to public tenders on different levels (OECD, 2017[27]). Some examples can be found in Table 1.3.

Table 1.3. Support for SMEs in public procurement for innovation policies and strategies

Country	SME inclusion in public procurement for innovation policies and strategies
Austria	The Austrian Action Plan on Public Procurement Promoting Innovation deals with the issue of supporting SMEs in public procurement. For example, it stipulates that public authorities should tender/procure in lots and define qualification and award criteria in a way that gives SMEs a chance to participate in competitions, etc.
Belgium	In order to encourage innovation for contracts below publication threshold, a working group is analysing possibilities for attracting very small firms and start-ups more easily. As a first step, the scope aims at procurements in the IT sector below the national publication threshold and for which an innovative solution is needed.
Canada	The Build in Canada Innovation Programme provides procurement opportunities for SMEs with innovations ready for testing or commercialisation, by making the Government of Canada their first client.
Germany	The Competence Centre for Innovative Procurement (KOINNO) was created to help the contracting authorities on the federal level as well as on the local and regional levels to put the policy goal of furthering innovation by way of public procurement and of supporting innovative goods and services into practice. KOINNO gives guidance in different ways, e.g. on its homepage (de.koinno-bmwi.de), at workshops, by providing best practice examples and by giving advice on concrete, practical questions.
Ireland	Ireland established Small Business Innovation Research (SBIR), the national innovative pre-commercial procurement initiative administered by Enterprise Ireland.
Korea	Korea has established priority purchase for SME-developed technology products, which needs to constitute at least 10% of SME purchases

Source: Country responses to the 2017 OECD survey on strategic use of public procurement to support SMEs.

1.6.2. SMEs' role in green public procurement

The green transition also opens up business opportunities for SMEs as important suppliers of green goods and services. In many OECD countries, innovative SMEs play a pivotal role in the eco-industry and clean tech markets. For instance, in the United Kingdom and Finland, SMEs represent respectively over 90% and 70% of clean technology businesses. SMEs are especially well positioned to seize opportunities from greener supply chains in local clean tech markets that may be unattractive or impenetrable for large global firms, including in emerging economies and low-income countries. Furthermore, small "green entrepreneurs", driven by financial profit in equal mix with environmental consciousness, can drive a bottom-up transformation and job creation by developing new business models and pioneering green business practices. Such developments can influence mass markets and are eventually adopted by the wider business community (OECD, 2017[29]). Recognising the important role that SMEs can play towards environmental goals, Table 1.4 presents some of the approaches adopted by countries to provide support to SMEs in the case of green public procurement.

Table 1.4. Supporting SMEs through green public procurement policies and strategies

Country	SME concerns included in green public procurement policies and strategies
Austria	The Austria Action Plan on Sustainable Public Procurement aims at supporting the participation of SMEs in public procurement
Germany	The strategy and policy on sustainability, under the responsibility of the Bundeskanzleramt (Federal Chancellery), called *Maßnahmenprogramm Nachhaltigkeit* (Action plan on sustainability), includes public procurement actions conducted by the federal government itself. The Competence Centre for Sustainable Procurement (KNB) was created to help those responsible for public procurement – also on the regional and local levels – to actually put policy goals on sustainability into practice. It advises all contracting authorities in Germany with regard to environmental, economic and social criteria.
Greece	The adoption of a strategy/policy for green public procurement is included in the National Strategy for Public Procurement, which in turn includes several actions aimed at supporting SMEs
Mexico	The Production and Sustainable Consumption Programme has the objective of increasing sustainable public procurement. To achieve this objective it implements a strategy promoting economic instruments that encourages green and inclusive growth. One line of action of this strategy is to promote the procurement of sustainable goods and services from SMEs.
Slovenia	Based on the conception of the recently renewed Decree on Green Public Procurement (Official Gazette no. 51/17; hereinafter decree), entering in force 1 January 2018, green public procurement will be simplified. The decree itself will allow the requirements of the contract to be adapted to the circumstances of the individual case and encourage diversified practices and innovations. As SMEs are generally more flexible and capable of adapting their production processes to the market demands quickly, green public procurement is an important business opportunity for them.
Costa Rica	The General Directorate for SME's from the Ministry of Economy, Trade and Industry, is part of the National Commission for sustainable public procurement. However, the use of ecological factors is not widely applied, and is subject to the policies applied by each entity of the public administration.

Source: Country responses to the 2017 OECD survey on strategic use of public procurement to support SMEs.

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Chapter 2. Ensuring a public procurement environment conducive to SME participation

This chapter surveys the various means through which governments can facilitate SME participation in the procurement process. Governments' efforts mostly focus on verifying that competition is fair and that SMEs are not unjustifiably prevented from participating. This chapter analyses the measures they have implemented in order to smooth the path to full participation in the procurement process, for SMEs as well as other competitors, and takes a close look at their advantages and potential drawbacks. These measures focus on lowering the barriers related to the size of tenders, making procurement processes less complex, and doing away with disproportionate financial and technical requirements.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

The main objectives of SME enablement programmes in public procurement, as identified by countries, are facilitating SMEs' access to public contracts and ensuring a level playing field for all economic operators (Figure 1.7). Indeed, ensuring access for potential competitors of all sizes and business characteristics constitutes a key requirement for a well-functioning public procurement system. This point is highlighted by the OECD Recommendation of the Council on Public Procurement under the principle of access (see Box 2.1).

Box 2.1. OECD Recommendation of the Council on Public Procurement – Principle on Access

The Council:

IV. RECOMMENDS that Adherents facilitate access to procurement opportunities for potential competitors of all sizes.

To this end, Adherents should:

i) Have in place coherent and stable institutional, legal and regulatory frameworks, which are essential to increase participation in doing business with the public sector and are key starting points to assure sustainable and efficient public procurement systems. These frameworks should: (…)

1. treat bidders, including foreign suppliers, in a fair, transparent and equitable manner, taking into account Adherents' international commitments (e.g., the Agreement on Government Procurement within the framework of the World Trade Organization, the European Union Procurement Directives, and bilateral or multilateral trade agreements).

ii) Deliver clear and integrated tender documentation, standardised where possible and proportionate to the need, to ensure that:

1. specific tender opportunities are designed so as to encourage broad participation from potential competitors, including new entrants and small and medium enterprises. This requires providing clear guidance to inform buyers' expectations (including specifications and contract as well as payment terms) and binding information about evaluation and award criteria and their weights (whether they are focused specifically on price, include elements of price/quality ratio or support secondary policy objectives);
2. the extent and complexity of information required in tender documentation and the time allotted for suppliers to respond is proportionate to the size and complexity of the procurement, taking into account any exigent circumstances such as emergency procurement.

iii) Use competitive tendering and limit the use of exceptions and single-source procurement. Competitive procedures should be the standard method for conducting procurement as a means of driving efficiencies, fighting corruption, obtaining fair and reasonable pricing and ensuring competitive outcomes. If exceptional circumstances justify limitations to competitive tendering and the use of single-source procurement, such exceptions should be limited, pre-defined and should require appropriate justification when employed, subject to adequate oversight taking into account the increased risk of corruption, including by foreign suppliers.

Source: (OECD, 2015[1]).

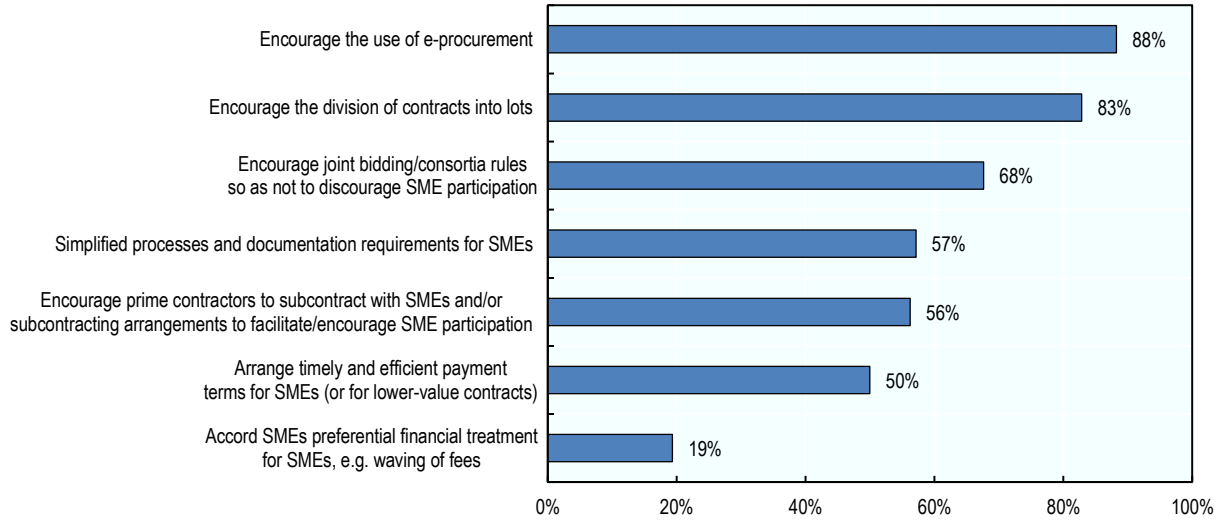
Even after a series of reforms, constraints still exist for SMEs on accessing public procurement opportunities. Some of the main ones identified by policy makers and public procurement practitioners in OECD countries included:

- quality and understanding of the information provided (76%)
- difficulties relating to the size of contracts (69%)
- administrative burden too high (68%)
- difficulties relating to proportionality of qualification levels and financial requirements (56%) (see Figure 1.10).

Among the challenges to participating in public procurement faced by SMEs, the complexity of the public procurement system and its processes is often at the top of the list. SMEs are not alone in perceiving this complexity. They are however disproportionately affected due to their internal constraints in terms of financial, technical and administrative capacities to access procurement opportunities, prepare tender documents, apply the procedures and execute the contracts.

Governments have been addressing these challenges through revision of legal and regulatory frameworks as well as adoption of various measures and approaches (Figure 2.1). The weight of the challenges faced by SMEs suggests that adding legal obligations alone would not suffice to remove the barriers. This is because imposing such of obligations – for instance defining the right size of contracts, simplifying the process and setting proportionate requirements – would depend on the public procurement objects. The most widely adopted approaches involve ensuring that SMEs are aware of tender opportunities and competent SMEs have a fair chance of competing for government contracts. As there is no one-size-fits-all solution to address the many challenges, this chapter discusses the different approaches and measures used by countries to ensure the public procurement environment is conducive to SME participation.

Figure 2.1. Measures and approaches used to support SMEs in public procurement



Note: Based on responses received from 20 OECD and 5 non-OECD countries.
Source: 2017 OECD survey on strategic use of public procurement to support SMEs.

2.1. Defining the right size of public procurement contracts

The large size of public procurement contracts is one of the main impediments to SMEs participating in public procurement markets. Large-scale contracts are inaccessible to SMEs simply due to the size and broad range of capacity that is required to tender and execute the contracts. Along with the wide use of instruments to centralise and aggregate procurement activities in OECD countries (OECD, 2017[2]), this may lead to a growing fear that asymmetric treatment against small and medium-sized firms will slowly increase over time if not tackled with other instruments (Bovis, 2016[3]).

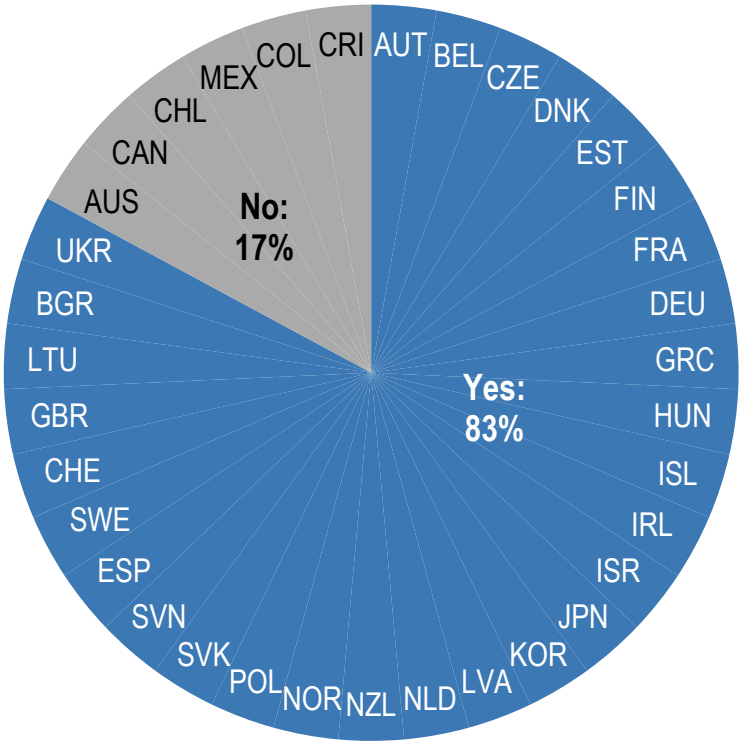
2.1.1. Division of contracts into lots

Dividing public contracts into lots facilitates SMEs' access, both quantitatively and qualitatively. Quantitatively, the size of the lots may better correspond to the capacity of the SME to deliver the good or service, and qualitatively, the content of the lots may correspond more closely to the specialised sector of the SME. With the latter aspect especially, when division into multiple lots involves unbundling a procurement contract that includes heterogeneous products or services, SMEs may generate competition as they may display higher levels of specialisation and efficiency than larger competitors (Albano, 2017[4]).

Some of the reasons identified by OECD countries for dividing a contract into lots included promoting SMEs and new entrants to the market; promoting tender participation, namely by specialised groups of firms; generating competition in the market; avoiding single supplier dependency; and spreading risk (OECD, 2015[5]).

The majority of the surveyed countries encourage division of public procurement contracts into lots (Figure 2.2). For EU Member Countries in particular, the 2014 EU Directive on public procurement[1] obliges contracting authorities to consider at the planning stage whether or not to divide a contract into lots. Where the contracting authorities decide not to do so, they must justify the reasons for it. This provision is included in the Directive as one of the measures intended to facilitate SME participation in public procurement.

Figure 2.2. Encouraging division of contracts into lots to facilitate SME participation in public procurement



Source: 2017 OECD survey on strategic use of public procurement to support SMEs.

Some of the arguments against dividing contracts into lots include concerns over the potential adverse effects on transparency. If lots are defined too narrowly, that may open the door to direct awards, which often lack transparency and thus damage value. At the EU level, the 2014 EU Directive on public procurement takes this concern into consideration by stipulating that contracts must not be artificially split in order to avoid application of the public procurement rules concerning aggregation requirements (SIGMA, 2016[6]).

There are undeniably risks associated with splitting a procurement contract into lots. First of all, doing so may not result in multiple awardees. Certain firms, due to their accumulated knowledge as existing or historical government suppliers or contractors, could exercise market power resulting in supplier lock-in, which is a potential by-product of recurring public procurement procedures. The relative disadvantage of SMEs that have no experience of contracting with the government persists. Additionally, when bidding is only allowed on a lot-by-lot basis, larger firms are not able to exploit synergies among multiple lots in their bid for each individual lot. This may lead them to bid a higher price for each individual lot, compared to the lower price they would offer if they were bidding for the total volume. For example, their higher price might ensure they cover their fixed costs in the event they win a smaller number of lots. Division into lots can therefore be inefficient where there is healthy competition for current and future contracts (Albano, 2017[4]). The potential benefits of dividing contracts into lots thus needs to be balanced with the associated risks. Package bidding could help achieve that balance by allowing SMEs to bid for single lots and large enterprises to exploit the possible synergies between different lots. Economic

literature, though limited on this topic, could still give some insight into the necessary considerations when splitting contracts into lots (Box 2.2).

Box 2.2. Economic literature on division into lots

While a "one size fits all" solution cannot be prescribed, there is room for a fruitful discussion on potential comprehensive considerations. Economic theory on the subject is limited, but what literature there is nonetheless provides several important insights :

- The trade-off between potential competition gains and efficiency losses

Efficiency losses can emerge if there are complementarities (e.g., economies of scale and scope) among different parts (lots) of the contract. If these complementarities are strong, firms will face uncertainty that is driven by the fact that they do not know which other lots they will win when placing their bid on a given lot. The internalisation of the risk of failing to win complementary objects and being unable to benefit from the resulting cost synergies will translate into lower valuations when placing the bids (the "exposure problem"). Allowing bidders to place offers on bundles of lots, i.e., the possibility of package bidding addresses this issue.

- Relevance of the number of firms in the market to the number of lots

The ratio between the number of potential bidders and the number of lots has been shown to be another crucial consideration when deciding on the configuration of contract division. One of the key results of the literature states that having more lots than expected tender participants may deliver more competition and reduces the risk of collusive agreements. Important lessons can be learned from the different outcomes of spectrum auctions in European countries, both for the ratio between tender participants and the number of lots and for the role of potential entrants in the market.

- The effect on the auction of having new entrants

Promoting tender participation by new entrants is one of the keys to auction design. New entrants to the tender can introduce competition for the lots and weaken the conditions for collusion. The presence of new entrants can also affect the division of lots. Whenever appropriate, lots may be reserved for entrants or caps may be imposed on the number of lots that can be awarded to incumbents.

- The relative size of lots and the risk of collusion

Heterogeneity in the size of lots may play a role in reducing the scope for market sharing arrangements. For a discussion on collusion based on the relative size of lots as well as the auction format in the tender procedure, see Albano et al. (2006).

Source: (OECD, 2015[5]); (Grimm et al., 2006[7]); (Klemperer, 2002[8]); (Klemperer, 2002[9]); (Milgrom, 2004[10]); (Albano, Bianchi and Spagnolo, 2006[11]).

Contracting authorities take a number of factors into consideration when deciding whether the works, goods, or services are to be procured using one contract or a number of separate contracts – and, in the case of the latter, how to split the contract into lots. The increased participation of SMEs leads to a higher level of competition in the tendering process where the division into lots is appropriate and feasible with respect to the procurement needs of the contracting authorities. At the same time, the savings derived from increased economies

of scale could also promote the use of a single contract. In this context, the decision to split up contracts should consider the specific characteristics of the market concerned and the object of the contract. Market characteristics that may impact the decision include the number and type of economic operators in that market, technical and quality aspects, the speed of technological change, and risk of dependency on a sole supplier (OECD SIGMA, 2016[12]). Box 2.3 offers an example of a tool developed in Germany to help contracting authorities in their decision to split contracts into lots. OECD has also developed a checklist in order to help public procurement practitioners mitigate the risks when splitting contracts into lots (Box 2.4).

Box 2.3. A tool for division into lots – Germany

Procurement practitioners often find it difficult to reconcile the competing priorities of aggregating expense in order to generate cost savings, and developing tenders that are accessible to SMEs. A common approach to supporting SME participation in public procurement in OECD countries is to divide contracts into lots. However, dividing contracts in a fair and proportionate way can be a challenging activity, because it must be tailored for each industry. Incorrectly dividing contracts can have a negative impact on an industry, adversely affecting both SMEs and large organisations.

To assist procurement practitioners, the federal government in Germany partnered with a consultancy firm to develop a tool that uses complex algorithms to support decision making. The tool uses statistics from the Federal Statistical Office (Destatis) on the number of employees, sales and production values from various industries and trades. For reasons of simplification, the tool uses nationwide data to provide a high-level industry assessment. However, a separate setting in the tool enables smaller-scale regional markets to be taken into account. Once relevant information on the procurement in question is inserted into the tool to take into account the specifics of the industry, the tool then generates a suggested split of the contract.

The tool can be applied to all major industries that are relevant for public procurement, and can be further developed to include additional sectors if required. There is limited feedback on the success of the tool to date given it was only recently launched, but the government will continue to monitor its progress.

Source: OECD (forthcoming), *Public Procurement Review of Germany*.

Box 2.4. OECD Checklist for protecting competition when splitting contracts into lots

Procurers may be concerned that large or bundled contracts may risk reducing competition in the market, either by preventing efficient small or specialist firms from bidding, or by creating an overwhelming advantage for the winning bidder in future tenders. They might want to split contracts into lots to reduce this risk. However, at the same time, procurers will not want to facilitate collusion, or prevent bidders from exploiting economies of scale or scope to improve the value of their bid. Therefore, when splitting contracts into lots, procurers should take care to do so in ways that do not reduce competition and the value achieved by the procurement.

If splitting the contract into lots would promote competition, then procurers should ensure that they split lots in ways that do not risk reducing competition and the value that the procurement achieves. This checklist suggests ways to protect and promote competition when splitting contracts into lots. For the avoidance of doubt procurers should also ensure that their actions are consistent with the applicable procurement law.

1. To split contracts into lots without reducing competition and the value that the procurement achieves, at the pre-tendering stage the procurer:

- should provide all potential bidders with clear tender documentation including all the relevant information that is available on the product or service that is being procured in order to help minimise any advantage to the incumbent supplier (e.g. electronically available and free of charge).
- should consider dividing a contract into lots where it is aware of small or specialist firms that will not otherwise participate in the bidding. For example, it should not carve out an additional lot if it expects there to be fewer competitors for that lot than there would be for the bundle of lots.
- should allow a bidder to make bids for different combinations of lots (so-called package bidding) in order to obtain any cost synergies available from providing a larger bundle of goods or services. Obtaining these synergies may for example encourage non-local bidders to bid for packages of different lots even if they are unwilling to bid for individual lots.
- should use award limits rather than participation limits in those cases where they want to prevent all lots being awarded to a single firm, and are confident that the benefits from doing so will outweigh the ensuing loss of competition for the contract in question.
- should consider making the number of lots smaller than the number of expected bidders. This can make it more difficult for colluding bidders to agree a division of lots and hence improve value achieved providing it does not create inefficiency.
- should consider making the lots different in size from the market share of the bidders. This can make it more difficult for colluding bidders to agree a division of lots and hence improve value achieved providing it does not create inefficiency.
- should consider in repeated procurements making the division into lots unpredictable (for example by changing the size or composition of the lots), and making bidders aware of this unpredictability. This can reduce the risk that lot division facilitates collusion and hence improve value achieved providing it does not create inefficiency.

2. To split contracts into lots without reducing competition and the value that the procurement achieves, at the tendering stage the procurer:

- should refer to the Competition Authority any suspicions of actions taken by incumbents to obstruct rivals ability to put together an attractive bid. The Competition Authority is able and may decide to determine whether this constitutes anti-competitive exclusionary conduct.
- should refer to the Competition Authority any suspicions of actions taken by bidders to rig the bidding.
- should be aware that joint bidding may be anti-competitive in cases where the bidders are capable of submitting separate bids. There are different ways procurers might treat joint bids. For example, one option could be that procurers may wish to set out a presumption that joint bidding between horizontal rivals will not be permitted, unless they are not able to bid independently. Alternatively, procurers may wish to make no presumption and take a case-by case approach. For the avoidance of doubt, procurers should also ensure that their actions are consistent with the applicable procurement law.

Source: (OECD, n.d.[13]).

2.1.2. Joint bidding

Another channel through which governments can address the financial and technical capacities of SMEs to carry out large and complex contracts is by encouraging joint bidding. Where compliant with competition law, joint bidding – in which two or more firms submit a single bid – is commonly accepted practice in OECD countries. Suppliers, typically operating on a temporary rather than long-term agreement, bid in consortium for a contract (Albano, 2017[4]). The reliance on capacities of other firms to meet criteria relating to economic and financial standing and technical and professional ability constitutes the main benefit of this mechanism.

Joint bidding facilitates access to public procurement markets, especially through:

- *Grouping* – Allowing economic operators to group together in order to participate as candidates or tenderers in procurement procedures. The possibility of forming such a group enables SMEs to compete jointly for large and complex contracts, the execution of which would surpass their individual capacities.
- *Reliance on capacities of other entities* – Enabling economic operators to rely on the capacities of other entities in order to meet the criteria relating to economic and financial standing and technical and professional ability. This option encourages the participation of SMEs in the procurement process (SIGMA, 2016[14]).

There are different forms of joint bidding, depending on the liabilities of each member of the consortium. For instance, France specifies the type of liabilities that are foreseen in different forms of consortia that economic operators choose to form. There are joint-and-several liability consortia (*groupement solidaire)*, where each member of the consortium is committed financially to the performance of the whole contract, and joint-liability-only consortia (*groupement conjoint*) where each member of the consortium is responsible only for the performance of an allocated contract share. Central purchasing bodies (CPBs) also very often allow suppliers to bid jointly as a means to balance SME access with aggregation and centralisation of public procurement activities For instance, the CPB in Finland always includes instructions on how suppliers can bid jointly in their call for tenders. Similarly,

the CPB in Norway encourages co-operation between suppliers in their tender documents, and templates for joint bidding are attached to tender documents.

Joint bidding may raise concerns over collusion in the market. It is a principle of competition that where competitors can bid individually, they should do so. Joint bidding between competitors reduces competition and may also enable sharing of commercially sensitive information between actual or potential competitors when discussing the terms of a joint bid. In this sense, when suppliers consider forming consortia to bid jointly, they should evaluate whether they are able to bid alone or not. The Competition and Consumer Protection Commission of Ireland has published a guide to help SMEs in their decision to tender as part of a consortium (Box 2.5).

Box 2.5. Guide to compliance with competition law in joint-bidding, Ireland

The Competition and Consumer Protection Commission of Ireland has prepared a guide on how to comply with competition law when tendering as part of a consortium. The guide is aimed at helping SMEs involved in consortium bidding.

In the guide, the commission identifies four factors that economic operators must take into account in their self-assessment on whether the pro-competitive benefits that result from joint bidding outweighs anti-competitive effects:

1. The consortium bid must produce real efficiency gains
2. Consumers must benefit from those efficiency gains
3. Any restrictions of competition involved in the consortium bid must be indispensable to the achievement of the efficiency gains
4. Consortium bidding must not substantially eliminate competition either in the particular public procurement competition or in other markets.

A consortium bid does not cause competition problems if:

- The consortium members are not actual or potential competitors
- The consortium members are all owned by the same parent company, i.e., the consortium members all form part of a single economic entity, or 'undertaking', for the purposes of competition law. To come under this heading this must be the case before you start discussing your joint bid. The fact that a merger or takeover is planned is not enough.

In the Commission's view, a consortium bid even between actual or potential competitors will not cause competition problems if:

- none of the parties to the consortium bid could fulfil the requirements of the tender competition or the contract on its own; and
- no subset of the consortium members could together fulfil the requirements of the tender competition or the contract; and
- only the minimum amount of information strictly necessary for the formulation of the consortium bid and the performance of the contract (if awarded) is shared between the members of the consortium and is restricted to relevant staff on a 'need to know' basis. (More specifically, discussions between them must be confined to the relevant procurement project and must not involve disclosure of the terms, especially prices, that individual consortium members currently offer to other customers or of information relating to other procurement projects or their future strategies, whether related to pricing, capacity, customers or markets.); and
- the consortium members ensure that they compete vigorously as normal in all other contexts. In other words, consortium members should not compete less aggressively with each other when tendering separately for other contracts or when offering their goods and services generally on other markets just because they have formed a consortium to help them bid for one particular contract.

Source: (Competition and Consumer Protection Commission, 2014[15]).

2.2. Simplifying and standardising public procurement processes

The complexity of public procurement systems and processes represents a major hurdle to SME participation in public procurement markets. Public procurement is indeed a complex activity, involving close interaction among many stakeholders with distinct interests at different stages of the procurement cycle. This, together with the large financial interests at stake, places public procurement at high risk of waste, corruption and fraud. Public administration, in particular with regard to the procurement function, requires close financial scrutiny given its stewardship role over public funds. Consequently, when selling to governments economic operators need to comply with public procurement regulations and rules that seek to ensure that adequate control is in place to manage the risks of procurement processes.

However, the amount of information that companies need to provide when submitting a bid – including historical financial information, certificates and other documents related to exclusion and selection criteria – represents a high administrative burden especially for SMEs. While the requirement applies regardless of firm size, SMEs are disproportionately affected by the time, financial resources, and legal and technical knowledge required to understand the public procurement system. Governments are actively addressing these issues by cutting administrative red tape, and simplifying and standardising documents and public procurement procedures in a number of ways, as described below.

2.2.1. Standardising procurement documents

One way that countries address this issue is by standardising procurement documents through the use of templates. Canada, for instance, has used them to simplify solicitation and contractual documents for all suppliers. The templates are part of the commitment of Public Services and Procurement Canada, as the country's CPB, to promote a common look and feel in acquisition documents by standardising terminology and simplifying contract language by using plain language; this ensures greater consistency and uniformity. Additional steps are under way to simplify solicitation and contract documents, as well as documentation requirements for suppliers and procurement processes generally.

The use of templates reduces the administrative burden for both contracting authorities and bidders. It streamlines public procurement procedures and helps bidders to better understand them. The Office of Government Procurement (OGP) in Ireland has created a standard suite of tender document templates to drive best practice and to reflect the 2016 EU Procurement Directives. The OGP website offers a repository with an extensive amount of template documents and guidance material. There are currently six model documents available and more are planned, covering the tender process and the contract phase of a procedure.

Certain types of contract indeed require specially designed tender documents, especially those involving higher-risk goods or services. While acknowledge these specific needs, some countries define use of the standardised documents for lower-risk and/or lower-value procurements. In Australia for instance, application of the Commonwealth Contracting Suite (CCS), which provides standardised procurement documentation, is mandatory for procurements under AUD 200 000 and is encouraged for low risk contracts valued up to AUD 1 million (Box 2.6).

Box 2.6. Use of the Commonwealth Contracting Suite in Australia

The Commonwealth Contracting Suite (CCS) is an online system launched in 2014 that provides automated production of procurement documents. Commonwealth Government entities are required to use it for procurements under AUD 200 000, and encouraged to use it for those between AUD 200 000 and AUD 1 million.

The CCS minimises the burden on businesses contracting with the Commonwealth Government, streamlining and simplifying procurement processes for Commonwealth entities. The CCS provides the "Approach to Market" document and the corresponding suppliers' "Response to Approach to Market" document simultaneously in an editable format, and similarly produces the contract based on the options selected. Accordingly, this online tool supports a consistent set of familiar terms.

Source: Resource Management Guide No. 420 (July 2017) on mandatory use of the Commonwealth Contracting Suite for procurement under AUD 200 000: https://www.finance.gov.au/procurement/commonwealth-contracting-suite/policy/.

2.2.2. Process simplification

Document standardisation also supports the simplification of public procurement processes. Together, these efforts help greatly reduce the administrative burden for SMEs. The European Single Procurement Document (ESPD), provided for in Article 59 of the 2014 European Directive on public procurement, is a supplier self-declaration tool. Based on a standard form, it offers preliminary evidence concerning exclusion criteria (e.g. criminal convictions, grave professional misconduct) and selection criteria (financial, economic and technical capacity). The full set of supporting documentation, including attestations and certificates, needs only to be presented by the winning economic operators. While supplier selection is a key stage in assessing the credentials of bidders before considering tenders, this approach prevents unsuccessful suppliers from having to provide large amounts of evidence (as further described in Box 2.7).

Box 2.7. European Single Procurement Document

With a view to simplifying the procurement process, the Directive (Article 59) has introduced a European Single Procurement Document (ESPD). The ESPD is a standard self-declaration form that an economic operator completes and submits to the contracting authority. The economic operator can use the ESPD to confirm that it fulfils the following conditions:

- It is not in a situation that would warrant an economic operators being excluded.
- It meets the relevant selection criteria.
- It fulfils, where applicable, the objective rules and meets the criteria that otherwise eliminate seemingly qualified candidates.

The contracting authority must accept the ESPD as preliminary evidence, in place of certificates issued by public authorities or third parties. The ESPD contains a formal statement to the effect that the economic operator will be able, upon request and without delay, to provide those supporting documents.

The ESPD also identifies the public authority or third party responsible for providing the supporting documents. Where supporting documents are accessible directly and without charge through national databases, the ESPD must also contain the relevant information about access, such as the internet address of the database, any identification data and, where applicable, the required declaration of consent.

Contracting authorities must accept the ESPD at the time of submission by candidates or tenderers. A contracting authority may nevertheless request, at any moment during the procedure, that tenderers or candidates submit all or part of the supporting documents. It may do so whenever these documents are necessary to ensure the proper conduct of the procedure. Furthermore, before awarding the contract, the contracting authority must require the prospective winning bidder to submit up-to-date supporting documents, unless the contracting authority can obtain them free of charge.

The ESPD is to be provided exclusively in electronic format. To allow sufficient time for the transition to this format in all Member States, both electronic and paper versions of the ESPD may co-exist until 18 April 2018.

Source: (OECD SIGMA, 2016[16]).

With the introduction of the ESPD, some EU Member States envisage further simplification of public procurement processes, in particular through its integration with databases and/or IT systems for the pre-qualification of suppliers. A report prepared by the European Commission based on a survey of member states and stakeholders shows that the majority of Member States (68%)[2] indeed plan to integrate or have already integrated the ESPD with a pre-qualification system, acknowledging the importance of the ESPD as a "building block for the digitisation of public administration." Another key element in the use of the ESPD to bring about simplification is the "once-only principle". This means that suppliers should be asked only once at most to provide information, through interconnection and wider use of databases owned by public authorities, to demonstrate that they meet the requirements set out in administrative procedures (European Commission, 2017[17]).

Integration of e-procurement platforms with other e-government systems could also reduce the burden on suppliers to submit certificates issued by other public authorities. In Korea for instance, the shared use of government data through data interchange between KONEPS (the Korean e-Procurement System) and other databases owned by public authorities enabled the elimination of paper submission of business registration certificates and tax payment certificates. Furthermore, for public construction tenders, bidders are not required to submit certificates attesting to past experience, as such information is electronically collected through data interchange with construction industry associations (OECD, 2015[18]). Another example can be found in Finland, where the information related to certain exclusion and selection criteria of Finnish firms – such as unpaid taxes and social security contributions – gets sent to the e-tendering system at the time of the bid evaluation. In this way, the contracting authority could request explanations from bidders before awarding of the contract; this reduces the burden of receiving official attestations and then having to award the contract again if there are discrepancies in the company data.

2.2.3. Clear establishment of the public procurement rules

Regulatory frameworks in OECD countries define different threshold amounts above which competitive procedures should apply. Thresholds are often different depending on whether the procurement is of goods, services or works. For government buyers, meeting the threshold should justify the cost of undertaking a procurement exercise, because of the additional value or cost savings that can be achieved from engaging in a competitive process. For suppliers, the thresholds for a competitive process must be sufficiently high to justify the cost of participating in a tender, yet sufficiently low to provide certainty that government will generate competition rather than arbitrarily select a single supplier.

Advertising procurement opportunities for competitive procurement procedures facilitates SME access. In particular, SMEs benefit from enhanced visibility and easy access through obligations to publish these opportunities on e-procurement systems. Information on upcoming tender opportunities is further enhanced through publication of annual public procurement plans and prior information notices. The OECD Recommendation on Public Procurement also promotes the use of open and competitive tendering, which should be the standard method for conducting procurement as a means of driving efficiencies, fighting corruption, obtaining fair and reasonable pricing, and ensuring competitive outcomes (OECD, 2015[1]). In particular, governments establish clear rules on the minimum number of advertising days so that interested suppliers have sufficient time to be informed and prepare their bids, as is the case for public procurement contracts under EU directives (see Box 2.8).

Box 2.8. EU rules on the minimum time limit for submission of tenders

Open procedure

The minimum time limit for submission of tenders is 35 days from the publication date of the contract notice. If a prior information notice has been published, the time limit can be reduced to 15 days.

Restricted procedure

Any business may ask to participate in a restricted procedure, but only those that are pre-selected will be invited to submit a tender. The time limit to request participation is 37 days from the publication of the contract notice. The public authority then selects at least five candidates with the required capabilities, who then have 40 days to submit a tender from the date the invitation was sent. This time limit can be reduced to 36 days if a prior information notice has been published.

In urgent cases, the public authority may set a time limit of 15 days to receive participation requests (this can be reduced to 10 days if the notice was sent electronically) and 10 days for the submission of tenders.

Source: (European Union, n.d.[19]).

When applying a procurement procedure other than open tender, contracting authorities' decisions on which suppliers to invite to tender, and the criteria by which they must qualify, have a direct impact on SMEs' access to public procurement opportunities. Austria addresses this concern by specifying in the Federal Law on Public Procurement (*Bundesvergabegesetz 2006*) that in cases of restricted procedures[3] and negotiated procedures[4] without prior notice or without prior call for competition:

- The selection of the economic operators to be invited must take place in a non-discriminatory manner.
- The buyer must change the economic operators that are invited as often as possible.
- If possible, SMEs in particular should be involved in the tender process. [5]

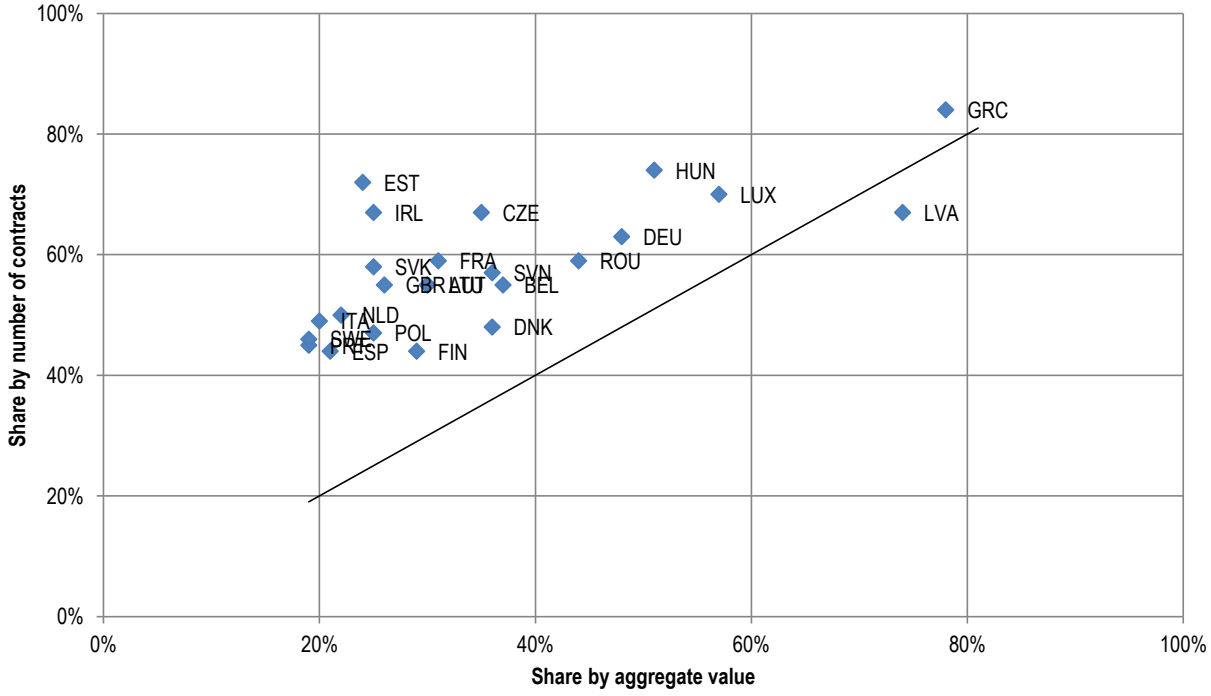
In this light, having a clear legal framework in place that provides clear guidance on how to maintain competition and that sets proportionate participation requirements further facilitates SME access to public procurement opportunities.

2.2.4. Adapting the use of procurement instruments and tools for lower-value contracts

SMEs are generally more successful in winning relatively lower-value contracts; the value of public procurement contracts won by SMEs thus does not display the same public procurement market distribution of contract values (Figure 2.3). While Figure 2.3 only represents SMEs' share for above-threshold contracts, the study also estimated SME participation in below EU-threshold contracts. While there is a higher representation of SMEs in below-threshold contracts, their share in terms of numbers is larger than their share in terms of value. This reaffirms that relatively lower-value contracts are generally won by SMEs.

Figure 2.3. SMEs' share of public contracts won in selected European countries

Average total of SMEs' share of above-threshold contracts won, by aggregate value and number of contracts for 2009-11 (percentages)



Note: The line in each figure represents a line of equality, which means that the vertical or horizontal distance between the data point and the line represents the difference between the values on x- and y-axes.
For methodological discussion of the calculation of SMEs' share of above-threshold contracts won, refer to (PwC, ICF GHK and Ecorys, 2014[20]).
Source: Adapted from (PwC, ICF GHK and Ecorys, 2014[20]).

The publication of tender announcements on e-procurement platforms greatly helps SMEs to be informed about public procurement opportunities. The use of e-procurement systems is indeed the practice in almost every OECD country (OECD, 2017[2]) (for further discussions on e-procurement systems, see Section 2.4). However, the relatively high value and complexity of above-threshold contracts that are advertised publicly – in particular the high level of financial, technical and professional capacity that they require – may not represent the public procurement opportunities where smaller firms can best compete. While this holds true, some countries also recognise the potential strategic leverage of larger contracts on SME performance. For instance, the Procurement Review Policy of Canada obliges all procurements in excess of CAD 2 million to be reviewed for potential regional and industrial benefits.

Indeed, a recent report on SME access to public procurement in the European Union includes a statistical overview saying that "it is important to highlight that SMEs' share of the total value of contracts below EUR 300 000 in fact slightly exceeds the corresponding figures for the real economy. However, this is more than offset by the huge disadvantage they (micro and small enterprises primarily) have in accessing larger contracts. Whilst one would not expect the largest contracts to be won by SMEs, they could eventually win more lower-value contracts to have their 'fair share' of public procurement overall" (EU, 2009, cited in (Nicholas and Fruhmann, 2014[21]).

In this vein, countries have devoted efforts to designing and developing public procurement instruments that could ease the procedural burden on low-value procurements. The example of Italy sheds light on how the development of an e-marketplace facilitated SMEs' participation in public procurement (Box 2.9).

Box 2.9. The e-marketplace for small value procurement in Italy: The MePA

Launched in 2004 and currently operating with an e-catalogue of over 10 million items, the MePA (Electronic Marketplace for the Public Administration) is one of the leading e-marketplaces currently operating in Europe. Managed by Consip, MePA provides a paperless environment for awarding low-value public contracts for goods, services and maintenance works. It is a digital marketplace in which contracting authorities (CAs) can purchase goods and services offered by qualified enterprises for a value below the EU threshold.

MePA in fact encourages economic operators (EOs) to engage with CAs throughout Italy. The e-marketplace provides operational flexibility, allowing for direct awarding from standardised e-catalogues and for requests for quotations (RfQ).

CAs can choose among a wide range of goods and services offered by an increasing number of EOs. MePA is open to any kind of enterprise that meets the qualification criteria.

How does it work?

CAs can access the MePA e-catalogue, a user-friendly shop window showcasing the goods and services available; easily compare the prices, features and delivery conditions offered by different Eos; and then proceed with the purchase according to the chosen procedure – direct order or RfQ.

The process is split into three steps:

Step 1 – Consip publishes the MePA tenders.

Step 2 – EOs qualify and publish their e-catalogues and offers compliant with the tender indications.

Step 3 –CAs issue direct orders or negotiate prices and supply conditions during RfQ.

MePA's major benefits for CA:

- time saving
- transparency and traceability of the entire procurement process
- greater range of products to buy with the possibility of comparing prices and characteristics offered by EOs from all over the country
- opportunity to satisfy customised needs by means of RfQ that identify specific requirements

MePA's major benefits for EOs:

- decreasing commercial costs and optimising sales times
- wider access to the public procurement market and opportunity to propose offers throughout the entire national territory
- potential enhancement of the company, despite the small size of the enterprise
- competitiveness and direct comparison with the reference market
- incentive for the renewal of sales processes

The MePA: A growing instrument in an expanding market

At the end of 2017, for the first time, the transactions carried out on the MePA – about 600 000 – reached a value of EUR 3.1 billion. That figure that can increase significantly, given the potential market for public spending and the exponential growth of the MePA. Only five years ago, at the end of 2012, the value of annual purchases was one-tenth what it is today, EUR 360 million a year.

The average growth recorded during the past few years was more than 50% per year.

Today, the MePA is progressively becoming larger, indeed "universal". In August 2017, Consip began reorganisation of the offer on the MePA, simplifying its structure and at the same time extending the product categories available to users. The existing product/services tenders moved from 41 to only 9: 1 for goods, 1 for services and 7 for the various categories of maintenance works. This reorganisation makes it much easier to foresee new categories of purchase and to enlarge the number of products and services available, encompassing the entire potential universe of purchases below the threshold.

A great deal can be purchased through the MePA

If the amounts for individual purchases on the MePA are less relevant than the big tenders, that should not lead to the conclusion that this is a market of little importance. In fact, throughout the public administration, low-value supply purchases represent, in terms of number, the majority of the total amount of purchases – over 99% of the approximately 4.5 million contracts performed annually – and in terms of value they represent around 20% of the total value of tenders published every year (amounting to over EUR 100 billion).

Moreover, in the maintenance work market, which is worth about EUR 5 billion each year, half of the expenditure concerns procedures under the value of EUR 1 million (thus potentially via MePA).

Source: Information provided by Consip, Italy.

2.3. Addressing the financial capacity of SMEs

2.3.1. Timely and advance payments

Receiving payments from government in OECD countries often offers high certainty. Yet if payments are not made in a prompt manner, it could pose an additional risk for SMEs. In particular, delays in payments have an adverse effect on the cash flow of firms. For smaller firms in particular, this could severely affect a firm's liquidity and even force some firms to exit the public procurement market and sometimes even go bankrupt (OECD, 2017[22]).

The problem can be exacerbated when there is no efficient and effective complaints system, and difficulties made even worse during times of financial and economic difficulties, due to restrictions on credit lines and bank loans (Wehinger, 2013[23]).

Governments have implemented measures to put legal limits on the payment period for public procurement contracts. For instance, in the European Union the directive on combating late payments in commercial transactions obliges public authorities to make payment for the procurement of goods and services within 30 days (Box 2.10).

Box 2.10. Protecting SMEs against late payment – European Union

To protect European businesses, in particular SMEs, against late payments and to improve their competitiveness, Directive 2011/7/EU on combating late payments in commercial transactions was adopted on 16 February 2011 and was due to be integrated into national law by EU countries by 16 March 2013.

Some of the main provisions of the Directive regarding payments by public authorities to businesses include the following:

- Public authorities have to pay for the goods and services that they procure within 30 days or, in very exceptional circumstances, within 60 days.
- Businesses are automatically entitled to interest for late payment and EUR 40 minimum as compensation for recovery costs.
- Statutory interest is applied for late payment at the rate of at least 8% above the European Central Bank's reference rate.
- EU countries may maintain existing laws (should they exist) or bring into force new laws and regulations that are more favourable to creditors than the provisions of the Directive.

A report on the implementation of this Directive, prepared in 2016, showed that while the average payment period is slowly decreasing in both the public and private sectors, public entities in more than half of the Member States were not respecting the 30-day limit imposed by law. Furthermore, the report stated that approximately half of all creditors were not exercising their rights to claim late payment interest, compensation or recovery costs as provided for by the Directive, for fear of damaging their commercial relationships. The external evaluation also revealed that many SMEs continue to accept long payment terms imposed by larger companies for the same reason. This is an inherent aspect of business culture brought about by the different positions of companies in the supply chain, their size and degree of dependency on each other, as well as other factors such as specificities of a given sector.

Source: (European Commission, n.d.[24]; European Commission, 2016[25]).

While under a legal obligation to make payment within 30 days of the presentation of the invoice, countries have reported that payments are in general made in a timely and efficient manner. For instance, the United Kingdom also commits to support the prompt and reliable payment of invoices. In 2015, UK central government departments had 80% of all invoices paid within 5 days and most of the remainder within 30 days (Crown Commercial Service, 2016[26]).

Yet in order to initiate the payment process, suppliers often need to obtain from contracting authorities a certificate attesting to the performance of the contract. Administrative red tape or complex processes that are involved in obtaining the certificate would thus not be reflected in payment deadline statistics. In France, UGAP, a national central purchasing body, implemented a mechanism that establishes a deadline for public entities to certify the performance of the contracts. Since January 2016, suppliers inform UGAP and the buyer regarding contract performance through an online system. If the buyer in charge of attesting the performance of the contract does not react within 20 days, UGAP considers that the

contract has been performed and the terms of the contract respected, and therefore pays the supplier.

Statutory obligation for prompt payment is not limited to European countries. A maximum payment term of 30 days is also applied in Canada and in Australia for contracts valued up to AUD 1 million. Furthermore, the Australian Government's payment policies stipulate that payment cards (e.g. credit cards) are the preferred method for paying supplier invoices below AUD 10 000. Canada is developing pilots to further reduce payment times, for instance as detailed in an action plan on prompt payment in the construction industry developed by the government-industry working group.

As an additional example, the Public Procurement Service (PPS), the central purchasing body of Korea, provides an upfront payment of up to 70% of the value of a government contract. For some lump-sum contracts for goods valued up to USD 423 800, including orders on unit-price contracts, suppliers are entitled to instant payment. Businesses may also be entitled to instant payment for other goods contracts at the request of the end user. In these cases, payment is made from a special PPS account and then reimbursed by the end user. Though central government entities are entitled to a payment period of up to five days, instant payment allows SMEs to receive payment within as little as four working hours. The collaborative reverse factoring (*affacturage collaborative*) mechanism developed by UGAP illustrates provision of financial support to further expedite the payment process (Box 2.11).

Box 2.11. Collaborative reverse factoring – UGAP, France

UGAP (Union des Groupements d'Achats Publics), a central purchasing body in France, takes SMEs into account in its activities. UGAP has developed a solution called "collaborative reverse factoring" which allows it to make the payment for invoices within a few days at financially favourable conditions. The CPB does not provide financing to its suppliers; rather, UGAP negotiates financial conditions. Based on the purchasing volume and the credit standing of UGAP, the conditions it negotiates are much more advantageous than the interest rates that a single supplier could obtain in the financial market. This mechanism allows suppliers to be paid in 5 days (or less) on average instead of the statutory deadline of 30 days.

UGAP suggest this solution for its suppliers, targeting SMEs as a priority group. The suppliers can adhere to this solution on a voluntary basis and can use it either for all their invoices or on a case-by-case basis depending on their financial needs.

Source: Country response to 2017 OECD Survey on strategic use of public procurement to support SMEs.

2.3.2. Setting proportionate qualification levels and financial requirements

Excessively high requirements asked of bidders can be one of the major barriers to SME participation in public procurement markets. This could be the result of the risk-averse nature of public procurement officials, or a lack of professionalism on their part.

A disproportionate level of technical and financial requirements for participation in public procurement opportunities precludes a large number of SMEs. In defining selection criteria, the technical and professional capacity requirements should ensure that "the tenderer has the capacity required for the contract in question, rather than the general capacity of

tenderers" (Bovis, 2016[3]). At the EU level, the 2014 procurement Directive limits the annual turnover requirement to at most twice the estimated contract value, except in duly justified circumstances, such as for certain high-risk contracts.

The Public Procurement Act in Hungary introduced normative limitations to selection criteria. By law, the contracting authorities' discretion in determining the selection criteria has been significantly limited:

- The required amount or measure of references shall not exceed 75% of the estimated value or other quantity of the contract; moreover, the law introduced the requirement to accept all references that are equivalent to the subject matter of the contract from a technical standpoint.
- The required total amount of annual income over the previous three years shall not exceed the estimated value of the procedure.

Disproportionate financial guarantees also limit SME participation. This is especially so since SMEs in many countries face difficulties in obtaining financial guarantees, such as bid or performance bonds. They have more difficulties in accessing financial markets and obtaining these instruments under favourable financial conditions due to their low credit ratings and limited financing levels.

In the same vein, unjustified retention of the resources by contracting authorities has a critical impact on SMEs, in particular their cash flow. In this regard, in requiring financial guarantees only at a level in line with the risks of the given procurement contract, authorities could greatly aid SME participation in public procurement markets, and their performance in general.

2.3.3. Supporting SMEs participating as subcontractors

SME representation in public procurement often does not take into account those SMEs that take part in the delivery of public contracts as subcontractors. For large or complex contracts, a SME may not be in a position to be a prime contractor, perform the whole contract, or even tender jointly with other economic operators because of its small size, specialisation or limited resources. Subcontracting may therefore provide good opportunities for SMEs to perform some of the services or works included in a project. In this way, subcontracting can facilitate the access of SMEs to the public procurement market (SIGMA, 2016[14]).

Promptness and certainty of payment also constitute a key area of support for SMEs that participate in public procurement opportunities as subcontractors. In general, there is a low degree of transparency of payment between the prime contractors and subcontractors. In order to protect the subcontractors from unfair treatment, governments have put in place various measures to better monitor the payments to subcontractors.

Subcontractors could be exposed to demands for price reductions, delayed payment or non-payment, and to use of dual contract**s** (see Box 2.12) at the post-award stage due to the lower degree of transparency and accountability for payments among private companies. Governments are considering ways to ensure timely payment not only to prime contractors but also to subcontractors, such as through the possibility of direct payments to the latter, such as in Poland and the Czech Republic. In Spain, contracting authorities are able to monitor the payments of main contractors to subcontractors. Development of the subcontractor management system for government contracts in Korea is an example of the use of electronic platforms to better manage subcontractors.

Box 2.12. Korea – The subcontractor management system

There were concerns in Korea regarding treatment of subcontractors by prime government contractors. While project owners are legally required to approve subcontracts following examination of their propriety and the payment price, there was little transparency on the realities of subcontracting practice because most of these processes are conducted manually. This led to reports of a number of poor practices, including post-award demands for price reductions, delayed payments or non-payment, and the use of dual contracts (where one is presented to PPS and another drawn up to represent the actual arrangement at less favourable terms to the subcontractor).

To address these issues, PPS established the Subcontract Management System for Government Contracts (SMSGC) to allow project owners to manage the subcontracting process consistently and effectively. As with many elements in KONEPS, these benefits are largely realised by eliminating manual processes throughout the entire subcontracting cycle, through to payments to suppliers. The system came on line in December of 2013, and PPS is currently engaged in efforts to expand its use through promotional activities and training. For construction works and IT projects facilitated by PPS, project owners are recommended to include use of SMSGC as one of the terms of the contract. In addition, promotional video clips were developed and shared in major transit, online newspaper and social media venues.

As of 2014, with 588 public organisations registered in the SMSGC system – more than half of those conducting construction works valued at more than USD 1 million or software projects valued above USD 300 000 – the system was utilised in 772 projects valued at approximately USD 5.6 billion, dramatically exceeding the initial target of USD 2.7 billion for the initial deployment. There has been increasing use of the system with 888 entities registered in 2017. The system was used in 2017 for 4 936 projects valued at approximately USD 19.8 billion.

Given that many construction subcontractors, materials suppliers and IT companies are small and medium-sized enterprises, progress in ensuring proper payment – both on time (see Table 2.1) and the right amount – and in eliminating dual contracts serves as an additional and innovative way to support these communities. Digital management of these processes also provides a source of market data that can be used to better plan and conduct large procurements over time.

Table 2.1. Improving payment time for subcontractors through SMSGC (2015-17), Korea

Type of payment		Legal deadline	Average days taken through SMSGC		
			2015	2016	2017
Subcontract payment	Progress payment	15 days	1.5 days	1 day	1.2 day
	Advance payment*	15 days	4.3 days	1.3 days	1 days
Payment for construction material		15 days	1.3 days	1 day	1.3 day
Labour cost		2 days	0.8 days	0.9 day	0.8 day

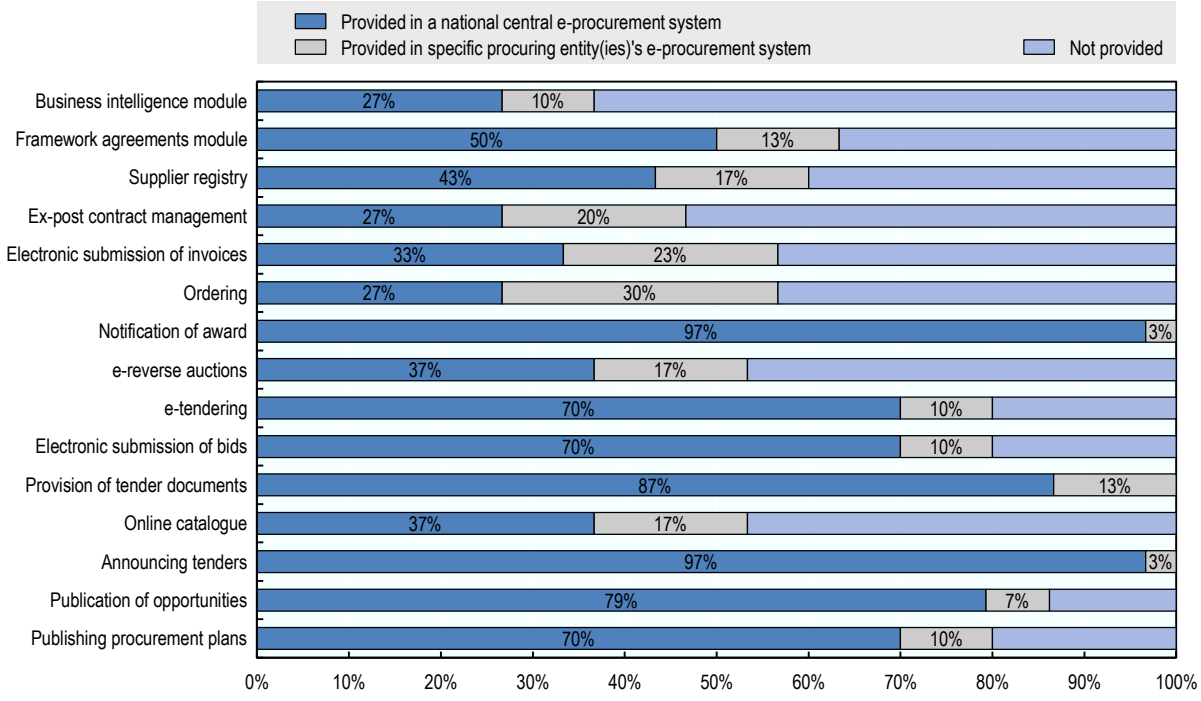
Note: Advance payment (*) time improvements are calculated when the prime contractor and subcontractor jointly request advance payment.
Source: (OECD, 2016[27]) and information provided by PPS.

2.4. Encouraging use of e-procurement

2.4.1. Increasing transparency of public procurement opportunities

E-procurement systems, referring to integration of digital technologies in the replacement or redesign of paper-based procedures throughout the procurement cycle, increase transparency by improving access to public tenders and allowing timely diffusion of information to diverse stakeholder groups. This information facilitates the participation of more suppliers, especially SMEs, in public procurement processes through a reduction in marketing and transaction costs. Indeed, SMEs' lack of knowledge of opportunities to supply the public sector had been identified as a major hindrance to their participation (Fee, Erridge and Hennigan, 2002[28]). The development of e-procurement systems has mainly focused on their functionality as an informational platform; every OECD country has an electronic procurement platform on which information on public procurement opportunities and award notices are published (Figure 2.4).

Figure 2.4. Functionalities provided by the e-procurement systems in OECD countries,2016

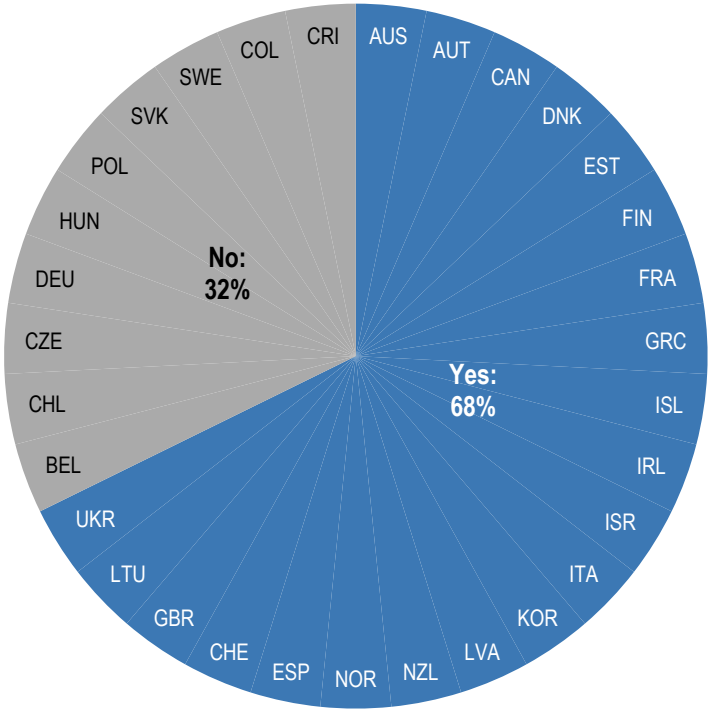


Note: For electronic submission of bids and invoices, the data exclude submission by emails.
Source: 2016 OECD Survey on Public Procurement.

Special attention is paid to making information available to suppliers about upcoming public procurement opportunities. Such information, through for instance annual procurement programmes or plans, not only helps contracting authorities better plan procurement activities and control their spending in a more structured way, but also is crucial for suppliers to remain informed so as to plan and prepare for them. Reflecting these benefits, public procurement plans are published on e-procurement systems in 80% of OECD countries (Figure 2.4).

Central purchasing bodies, as contracting authorities responsible for centralised purchasing, do what they can to make this information available. Additionally, CPBs very often actively communicate about upcoming tenders in order to promote participation of suppliers, including SMEs (Figure 2.5). In addition to providing information through online publications, many CPBs and large contracting authorities organise events to better explain their needs and the upcoming opportunities; this is the case of the OGP in Ireland, which organises "meet the buyer" events together with Enterprise Ireland.

Figure 2.5. Enhanced information about upcoming tenders in advance by the CPB



Source: 2017 OECD survey on strategic use of public procurement to support SMEs.

At the same time, lack of visibility, especially of lower-value contracts, along with a high administrative burden, has been identified by SME associations as the toughest challenges to accessing public procurement opportunities. Some countries addressed this issue by developing electronic tools to enable businesses and in particular SMEs find small value procurement opportunities. For example, the Contracts Finder website in the United Kingdom is an example of a country's efforts to increase the availability of information on smaller value contracts (Box 2.13). For the example of the development of an e-marketplace in Italy – MePA – see Box 2.9.

Box 2.13. Contracts Finder – United Kingdom

Increasing information on available contract opportunities

The Crown Commercial Service in the United Kingdom is responsible for managing the procurement of common goods and services for over 17 000 customer organisations in the public sector, and their services are provided by more than 5 000 suppliers.

To increase information on available low-value contract opportunities, the website Contracts Finder was developed (www.contractsfinder.service.gov.uk/Search).

This website makes it possible for suppliers to search for information about contracts worth over GBP 10 000 with the government and its agencies. Suppliers can use Contracts Finder to:

- search for contract opportunities in different sectors
- find out what is coming up in the future
- look up details of previous tenders and contracts.

Suppliers can create an account to get email updates and save their searches.

Source: Country response to OECD Survey on strategic use of public procurement to support SMEs.

2.4.2. Reducing transaction costs

The use of digital technologies in public procurement, and in particular the development of e-procurement systems, has greatly helped simplify public procurement processes. By definition, e-procurement implies standardisation, streamlining and integration of processes. The role of e-procurement in improving public procurement systems is also recognised by the OECD Recommendation on Public Procurement (OECD, 2015[1]).

Transaction costs associated with public procurement processes disproportionately affect SMEs. E-procurement systems covering the whole procurement cycle enable cost and time savings through automation and standardisation of the procurement process, thus bringing about efficiency benefits for suppliers and the public sector. They could also support effective implementation and monitoring of policies by facilitating data and information collection.

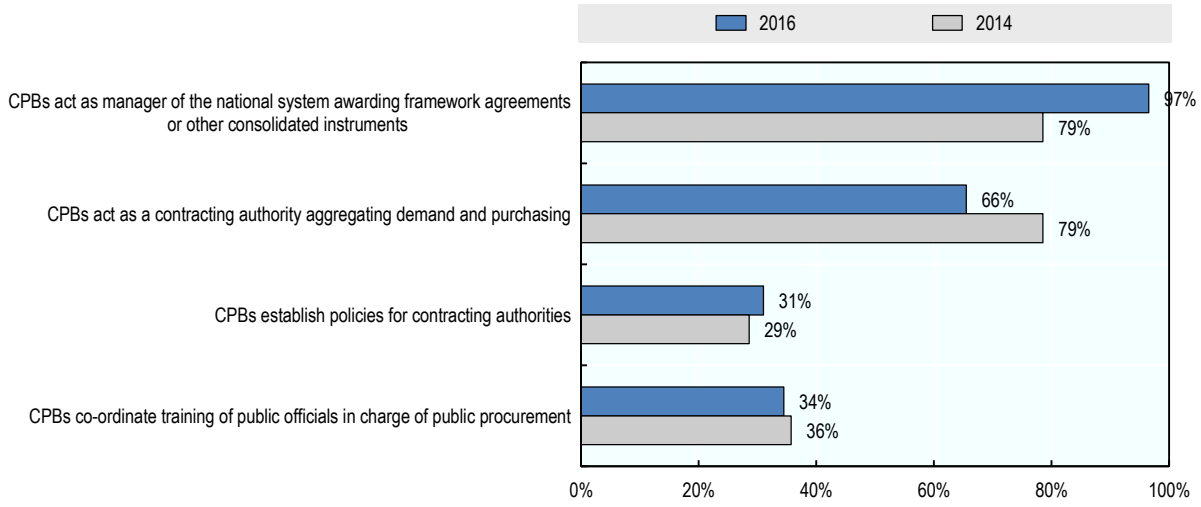
Countries have indeed underlined the benefits to SMEs of the increased efficiency and reduction of administrative burdens that result from standardising and integrating processes. Calls for tender that take a structured format, shorten procurement process times, and reduce administrative burden by removing paper and envelopes and allowing for electronic submission of bids also reduce transaction costs for SMEs in doing business with the public sector.

Electronic submission of invoices also delivers major improvements not only in payment timescales but also in reducing transaction costs. There is an academic study that establishes the link between the low involvement of SMEs in state procurement with a lack of electronic systems in order processing and invoicing (Karjalainen and Kemppainen, 2008[29]). At the OECD level, only about one-third of countries have enabled the electronic submission of invoices through central e-procurement systems (Figure 2.4). Measures to implement electronic invoicing are gradually being devised by European governments for public authority contracts under procurement legislation. (European Commission, 2016[30]).

2.5. CPBs as further enablers of SME participation in public procurement

Centralisation of procurement activities and the aggregation of needs are observed across all OECD countries. Central purchasing bodies are increasingly established in order to reap the benefits of aggregation of demands and outputs of procurement activities (OECD, 2017[2]). The benefits of centralised purchasing activities – such as better prices through economies of scale, lower transaction costs and improved capacity and expertise – are widely acknowledged.

Figure 2.6. The role(s) of the central purchasing bodies



Source: 2016 and 2014 OECD Surveys on Public Procurement.

While these changes suggest that larger-scale procurement projects may adversely affect SME participation on the surface, governments and central purchasing bodies devote efforts to ensure that SMEs have their fair chance of participating amidst the aggregation of procurement volumes. Encouraging partitioning of CPBs' contracts into lots is one of the most widely used approaches to facilitate SME participation in CPBs' procurement opportunities.

Dividing contracts into lots in European countries, as discussed in the previous chapter, is a legal obligation, such that when there is a decision to do otherwise it needs to be justified. In line with this, CPBs in European countries partition contracts into lots geographically and according to procurement objects, taking into consideration the characteristics of the need and the market. In the case of Public Services and Procurement Canada, that country's central purchasing body, PSPC structures procurements where trade agreements permit, to allow for the possibility of bidding on specific geographic areas, as opposed to requiring that goods/services be provided over large geographic areas by a sole supplier. The commitment of CPBs to engage SMEs in their activities is sometimes embodied in their institutional goals. For instance, the Act concerning the establishment of Austria's central purchasing body, BBG (Bundesgesetz über die Errichtung einer Bundesbeschaffung Gesellschaft mit beschränkter Haftung) sets out its institutional objectives as the following:

> *In order to take account of the special role of the small and medium-sized supplier structure, the central purchasing body has to advertise services at NUTS 3 Region-*

> *Level in those cases where this is practical […] in such a way that even micro-enterprises are able to participate in tenders (eligibility criteria), taking particular account of the local supply structure.*[6]

The role that public procurement can play in supporting SMEs is sometimes the main motivation behind establishing the CPB. In Ireland, for instance, the Programme for Government identified the critical role that public procurement plays in allowing greater access for SMEs, including micro enterprises, to the public procurement market. As part of the Public Service Reform Plan, the Government established the Office of Government Procurement (OGP) to drive a consolidated and integrated approach to public procurement. The OGP is committed to ensuring that SMEs are fully engaged with public sector procurement and the opportunities it presents. In conjunction with the Department of Jobs, Enterprise and Innovation, the OGP has set up a high-level group on SME access to public procurement. Apart from promoting access, the group is linked to the Government's Action Plan for Jobs, and specifically those actions aimed at maximising procurement opportunities for SMEs in the public sector.

An additional example of the specific consideration given to SMEs within centralised purchasing activities can be found in SKI, the central purchasing body of Denmark. SKI has set up a specific policy for SME inclusion. When designing tenders, it analyses the supply structure relevant to the contract and identifies the role SMEs could play in the tender. Subsequently, the tender is conceived in a way that facilitates the participation of SMEs. In addition, SKI regularly organises seminars for SMEs on how to participate in public procurement. Along the same lines, the procurement portal is an online feature that helps SMEs find consortium partners for joint bids.[7]

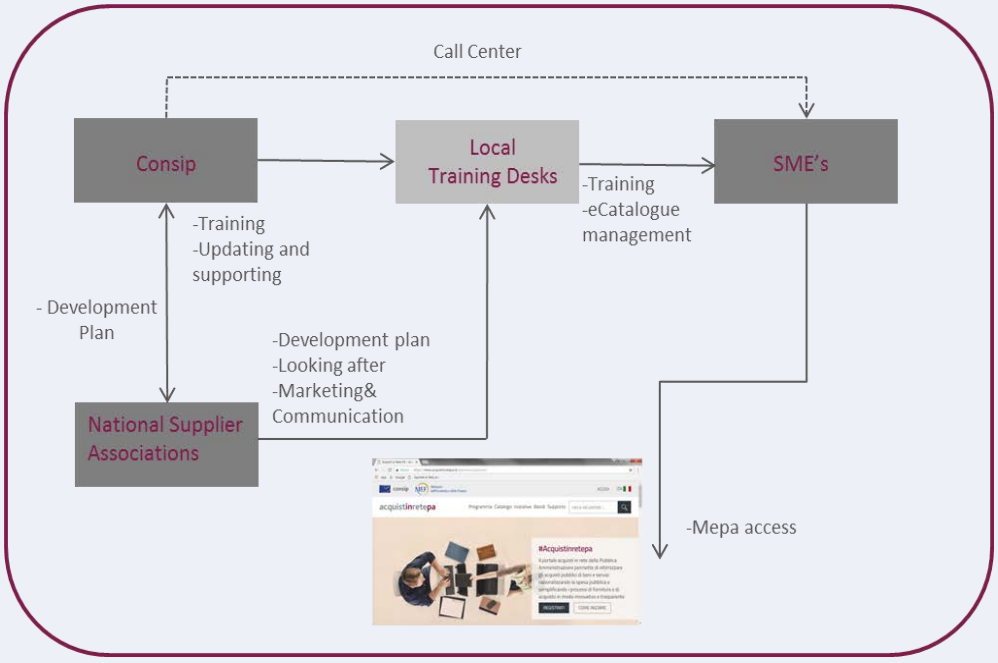
Consip, as the national central purchasing body of Italy, runs the Programme for the Rationalisation of Public Purchases on behalf of the Ministry of Economy and Finance, by performing framework agreements and dynamic purchasing systems (DPS), and managing the public digital marketplace (MePA), for the benefit of the entire public administration. Consip has developed an inclusive business strategy based on a diversified and comprehensive offer of different kinds of procedures, according to product and service characteristics (standard or customised goods) and to the concentration or fragmentation of the supplier market. SMEs are indeed strongly attracted by those procedures that address specific needs of the CA (customised goods and services) in a fragmented market environment, such as the MePA and the DPS call-offs.

Box 2.14 provides an example of a project implemented by Consip, together with the Suppliers Associations, to facilitate and increase SMEs' participation in public procurement market by providing training and education that reduce resistance.

Box 2.14. Supplier Training Desks (*Sportelli in rete*) – Consip, Italy

Since 2004, Consip has strengthened its co-operation with the suppliers' institutional representatives by setting up Supplier Training Desks ("Sportelli in Rete Project") at the enterprise associations' territorial offices. The main objectives of this project are to facilitate the participation of SMEs in public procurement offered by the Programme for the Rationalisation of Public Purchases; improve their familiarity with ICT tools; provide training in the use of e-procurement tools; and support them in qualifying and operating on the MePA. The business model, see Figure 2.7, involves the institutional actors of the market, each of them with a defined role. Consip trains people from the associations who in turn train the local SMEs.

Figure 2.7. Business model of Consip's Supplier Training Desks



Source: Information provided by Consip, Italy.

Some of the main challenges in implementing the project included:

- overcoming SMEs' initial resistance to using ICT tools
- increasing their participation in Consip's activities, especially at the local and regional level, to support them in the use of eProcurement tools
- training in the use of the MEPA and in the opportunities it offers ("multiplication effect")
- supporting SMEs during their first use of the MEPA (registering with the platform, eCatalogue creation, reply to a RfQ, etc.).

Capacity building, education and training are core activities of the project, in addition to modifying management activities to overcome the initial resistance shown by SMEs

towards the use of electronic means of negotiation when dealing with public procurement.

Today there are more than 370 Training Desks all over the country that support thousands of Italian small and micro enterprises, at local and regional levels. Consip provides these Desks with free assistance and training in the benefits of a fair and transparent public procurement system, achieved among other things through digitalisation.

Source: Country responses to the 2017 OECD survey on the strategic use of public procurement to support SME; and www.acquistinretepa.it/opencms/opencms/sportelli_in_rete.html#/.

Notes

[1] Directive 2014/24/EU on public procurement and repealing Directive 2004/18/EC, 26 February 2014.

[2] Belgium, Bulgaria, Cyprus, the Czech Republic, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Spain, and the United Kingdom.

[3] Article 102 para 2.

[4] Article 250 para 2.

[5] www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=20004547

[6] Article 2 Para (1a) of Act concerning the establishment of the central purchasing body, BBG. https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=20001270&ShowPrintPreview=True

[7] http://ec.europa.eu/regional_policy/sources/policy/how/improving-investment/public-procurement/study/country_profile/dk.pdf

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Chapter 3. Intervening to support SMEs in public procurement

In developing SME support policies, OECD countries have implemented approaches that attempt to actively remove the barriers that smaller businesses face when competing in public tenders. These barriers differ according to the size of the company and the sector in which they operate. This chapter discusses how policy approaches might differ accordingly, as well as exploring the differences between policies that attempt to level the playing field, and among those that actively seek to give suppliers groups an advantage in tender procedures.

Governments expend efforts to render public procurement systems conducive to participation of and competition among economic operators of all sizes, including SMEs. While most countries focus on removing barriers for SMEs, the peculiar characteristics of public procurement markets do not allow these barriers to be completely removed.

The fixed costs associated with participation in public procurement markets can disproportionately affect SMEs. Participating is associated with a certain level of investment, in terms of time, financial and human resources, and knowledge. In particular, suppliers commonly cite the effort involved in bidding or undertaking prequalification as a barrier. The bidding processes established and regulated by procurement legislation are typically rigorous and resource intensive (Karjalainen and Kemppainen, 2008[1]). This is even truer for complex public procurement projects.

Where SMEs face barriers to tendering that other firms do not, governments can be considered justified in deciding to intervene by providing SME-targeted support. Research shows that efficient SMEs are at a disadvantage when competing against larger businesses in credit markets because of unequal conditions (Yukins and Piga, 2012[2]). The disproportionate effect of conditions has led some countries to provide specific support for SMEs, such as favouring the bids of smaller firms in government tenders or establishing mechanisms to ensure the early payment of invoices. Yet policy makers must balance the use of these types of support with a desire to maintain open competition through a level playing field for all suppliers, and also with other SME policy areas.

The challenges faced by SMEs differ according to their size and the sector in which they operate. This chapter presents the measures implemented by countries seeking to enhance opportunities for SMEs, and explores the ways in which countries vary that support according to the specificities of the challenges that SMEs face.

3.1. Increasing SMEs' chances of winning public contracts through preference programmes

The disadvantages that SMEs face when competing in public tenders are well documented. For an SME, participation represents a consumption of resources that is proportionally higher than for larger businesses. However, countries face a dilemma when deciding whether such challenges warrant intervention, particularly where intervening tips the playing field in favour of smaller businesses.

The argument that small businesses face barriers that larger businesses do not could justify implementing measures according them preference (Yukins and Piga, 2012[2]). However, a stronger argument for intervention can be put forward where a market failure is identified. Examples of preferential measures include set-asides and bidding price preferences. Where there are high barriers to entry, such measures could raise the number of competing solutions in the market. At the same time, for many countries this betrays the principle of ensuring a level playing field, and so use of these types of measures is prohibited for being discriminatory. Among these countries are the Member States of the European Union, where such measures are said to represent a restriction of full and open competition. Though notably, the WTO Agreement on Subsidies and Countervailing Measures also prohibits export subsidies and aid contingent on the use of domestic over imported goods, or the granting of special treatment to individual businesses. Indeed, only a few OECD countries have legislative provisions for bid preference (e.g. Korea and Mexico) and set-asides (e.g. Canada, Korea and the United States).

With set-asides, a certain share of government procurement contracts is set aside for a targeted category of bidders that meets the preferential qualification criteria. Under this programme, bidders that qualify to participate in procurement set-asides compete against each other.

Set-asides are sometimes used to correct market failures that have arisen, for instance through the treatment of historically disadvantaged individuals who may have been denied the opportunity to build or fulfil their potential (Asian Development Bank, 2012[3]). Public procurement, in particular through showing a preference for these groups, positively impacts social cohesion and employment by providing opportunities to groups of workers and entrepreneurs that are generally excluded from the labour market (Cravero, 2017[4]).

Canada has a set-aside programme for Aboriginal businesses, which are mostly SMEs, within the Federal Framework for Aboriginal Economic Development. This programme aims to ensure that First Nations, Inuit and Métis have every opportunity to share in the country's economic opportunities and prosperity. The programme includes mandatory set-asides for all procurements over CAD 5 000 for which Aboriginal populations are the primary recipients, and voluntary set-asides that can be used by federal departments and agencies in procuring goods, services, or construction where Aboriginal capacity exists (Indigenous and Northern Affairs Canada, n.d.[5]).

The United States has established different types of set-asides targeting different supplier categories. The US set-asides also establish goals for specific categories of small businesses – including women-owned small businesses, small disadvantaged businesses, service-disabled veteran-owned small businesses and businesses from historically underutilised business zones (Box 3.1).

Box 3.1. Small business set-aside – United States

Set-asides are a powerful tool for helping small businesses compete for and win federal contracts. Every year, the US federal government purchases approximately USD 400 billion in goods and services from the private sector. When market research concludes that small businesses are available and able to perform the work or provide the products being procured by the government, those opportunities are "set aside" exclusively for small business concerns.

There are many different types of set-asides. Some are open to all small businesses; others are open only to small businesses with certain designations.

Contract value

A set-aside is based in part on the value of the goods or services that the government is looking to purchase.

- USD 3 500 - USD 150 000

Every federal government purchase with an anticipated value above the micro-purchase threshold of USD 3 500 and up to the Simplified Acquisition Threshold (SAT) of USD 150 000 is required to be automatically and exclusively set aside for small businesses. There must be at least two or more (Rule of Two) responsible small business concerns that are competitive in terms of market prices, quality and delivery for an automatic set-aside to take place.

- Above USD 150 000

Contract opportunities above the SAT of USD 150 000 shall also be set aside if the Rule of Two is met.

- Above USD 700 000 or USD 1.5 million for construction

Contracts opportunities in this category awarded to Other than Small Businesses (OTSBs) must have small business subcontracting plans to the extent that there are subcontracting opportunities. A small business subcontracting plan establishes subcontracting goals for small businesses, small disadvantaged businesses, HUBZone (Historically Underutilized Business Zones), veteran-owned, service-disabled veteran-owned and women-owned small businesses.

Prime contract goals

The Federal government has specified annual prime contracting goals for designated small businesses. The current, government-wide procurement goal stipulates that at least 23% of all federal government contracting dollars should be awarded to small businesses. In addition, targeted goals are established for the following small business categories:

- women-owned small business – 5%
- small disadvantaged business – 5%
- service-disabled veteran-owned small business– 3%
- HUBZone – 3%

Set-aside and sole-source programmes

Government contracts can be set aside for small businesses in the following certification programmes and socio-economic categories:

- 8(a) Business Development, targeted for economically and socially disadvantaged according to Title 13, Part 124 of the Code of Federal Regulations
- HUBZone Programme
- Women Owned Small Business (WOSB) Program (includes Economically Disadvantaged Women-Owned Small Business [EDWOSB] concerns)
- Service-Disabled Veteran-Owned Program

In addition, there are sole-source development opportunities under the 8(a) programme and sole-source conditional opportunities under the HUBZone, Service-Disabled Veteran-Owned Small Businesses, and WOSB programmes.

Source: https://www.sba.gov/contracting/government-contracting-programs/what-small-business-set-aside.

Set-asides and preference programmes can also be directed at SMEs in general, in order to increase their share of the public procurement market. In these cases, governments intervene more directly to ensure that SMEs are awarded public funds through public procurement. The development of public procurement policies in support of SMEs in China is an illustration (see Box 3.2).

Box 3.2. Encouraging SME participation in public procurement in China

The Chinese Government has recognised the impact of public procurement on SMEs since the beginning of its efforts to reform procurement. The first comprehensive government procurement code, Government Procurement Law 2002 (GPL), provides in Article 9 that "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".

In addition, the Law on Promotion of Small and Medium-sized Enterprises 2002, which was adopted by the National People's Congress on the same day as for GPL, states in Article 34 that "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 the Ministry of Finance (MOF) and Ministry of Industry and Information Technology (MIIT) provides that 30% of the government procurement budget shall be set aside to purchase goods and services from SMEs and 60% of these 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 and to form consortia with them, and encourages financial institutions to provide credits/guarantees for SMEs to pay deposits and perform the contract.

Finally, it is compulsory for procuring entities to report on the 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 magazines: Chinese Government Procurement, China State Finance).

Source: (OECD, n.d.[6]).

Some contracting authorities also support development of national and local suppliers in their public procurement activities. For instance, PEMEX (Petróles Mexicanos), the Mexican state-owned petroleum company, launched a regional development project in the state of Tabasco in 2013 to increase public purchases in the oil sector from domestic suppliers. This was done by creating a single corporate procurement and supply management department; cataloguing projected demand for goods and services; identifying items whose purchase can be shifted from foreign to local suppliers; creating a list of SMEs with the potential to deliver the good or service; offering SMEs a free consultation and advising on the areas needing to be scaled up; and providing a letter of assessment to ease SMEs' access to bank loans to invest in relevant assets (OECD, 2017[7]).

There are serious concerns over the adverse effects of preference programmes on competition in the public procurement market. In the case of PEMEX, competition could suffer from the following adverse outcomes and risks: the loss of cost efficiency through paying higher unit prices; the damage done to local suppliers that risk becoming inefficient and uncompetitive; increasing inequality by requiring taxpayers to subsidise business owners; and mutually damaging retaliatory action from countries whose exporters lose out. Identifying the impact on procurement outcomes is difficult because the counterfactual is

not clear. However, economic models are clear that preference policies reduce the value obtained by the contracting authority, except where they show preference to non-incumbents rather than large or local firms (Jehiel and Lamy, 2015[8]). Regarding the issue of inefficiency, some empirical evidence from auction data also suggests that these programmes shifting the awardees to the favoured category of bidder can raise costs and reduce quality for the contracting authority, especially through increasing the rate of contract cancellation (Marion, 2007[9]) (Krasnokutskaya and Seim, 2011[10]) (De Silva et al., 2012[11]). Procurement professionals at the Institute for Public Procurement argue that local preference policies are in conflict with the fundamental public procurement principles of impartiality and full and open competition. Therefore, they do not support the use of local preference policies as an appropriate tool for improving local economies (The Institute for Public Procurement, 2015[12]).

Some academic studies suggest that – assuming there is no retaliatory action by other countries on behalf of their exporting firms – if the contracting authority wants to increase the profits of the SME firms that it is protecting, then the use of local bid preference policies will help it achieve that goal. However, little evidence exists on the effects of those policies on a wider scale, including on the overall dynamic of the economy. This makes it challenging to decide on an optimal policy mix to support SMEs in public procurement. Academic studies also call for more exploration of the impact of these policies on SME development (Murray, 2014[13]) (Flynn, Mckevitt and Davis, 2015[14]).

3.2. Tailoring tools and mechanisms to SMEs' needs

Governments have implemented measures to address SMEs' relatively low level of administrative, financial and technical capacity, as described in Chapter 2. Some governments have taken further steps to tailor these measures to SMEs' needs – for instance, through making large enterprises more aware of the opportunities to add value to their bids by subcontracting to efficient SMEs with a strong record of delivery.

Some OECD countries have considered ways to enhance SME participation in public procurement as subcontractors (see the example from the United States in Box 3.3 below). In studying these developments in the United States and European countries, Kidalov (2013[15]) concludes that "mere transparency of projects with subcontracting potential, combined with aspirational subcontracting goals, is not sufficient (for enhance[ing] small business subcontracts in government procurement)". However, it may be that increasing transparency is effective at increasing the efficient use of sub-contracting.

Box 3.3. Small business subcontracting in the United States

For all contracts that exceed the simplified acquisition threshold (USD 150 000), contractors are expected to provide the maximum practicable opportunity to participate in contract performance to small businesses, veteran-owned small businesses, service-disabled veteran-owned small businesses, Historically Underutilized Business Zone (HUBZone) small businesses, small disadvantaged businesses, and women-owned small businesses.

For contracts or contract modifications expected to exceed USD 650 000 (including options) that contain subcontracting opportunities, the successful supplier is required to submit a detailed subcontracting plan. Failure to submit the plan renders the supplier ineligible for award, and any contractor or subcontractor that fails to comply in good faith with the requirements of the subcontracting plan is considered to be in material breach of its contract. The requirement for a subcontracting plan does not apply to cases where the selected supplier is itself a small business, to personal services contracts, or to contracts performed entirely outside the United States (FAR 19.702).

Each subcontracting plan must include:

1. separate percentage revenue goals to be awarded to small businesses, veteran-owned small businesses, service-disabled veteran-owned small businesses, HUBZone small businesses, small disadvantaged businesses and women-owned small business concerns as subcontractors
2. a statement of the total dollars planned to be subcontracted and the total planned to be subcontracted to the categories of concerns identified in (1)
3. a description of the principal types of supplies and services to be subcontracted, including identification of the types to be subcontracted to the relevant concerns
4. a description of the method used to develop the subcontracting goals
5. a description of the method used to identify potential sources for solicitation purposes
6. a statement as to whether indirect cost considerations were included in the establishment of goals and the estimated share of subcontracts
7. the name of an individual who will administer the subcontracting programme, and a description of that individual's duties of the individual
8. a description of the efforts the offeror will make to ensure that relevant suppliers have an equitable opportunity to compete for the subcontracts
9. assurances that the offeror will include the clause that mandates the Small Business Subcontracting Programme in all subcontracts that offer further subcontracting opportunities, and require any such subcontracts that exceed USD 650 000 to include their own small business subcontracting plan
10. assurances that the offeror will co-operate in any surveys, studies and reporting requirements necessary
11. a description of the types of records that will be maintained concerning procedures adopted to comply with the requirements and goals in the plan.

Rather than establishing a subcontracting plan for each contract action, contractors may establish a master plan on a plant- or division-wide basis that contains all of the elements necessary except specific goals. For individual contracts, the master plan is then incorporated into the individual subcontracting plan along with the goals for that

contract. Such plans are effective for three years after approval, but it remains the contractor's responsibility to maintain and update the master plan. Any changes to the master plan must be approved by the contracting officer (FAR 19.704).

In addition to the compliance requirements imposed by the subcontracting plan, the contracting officer may encourage the development of increased subcontracting opportunities in negotiated acquisition by providing monetary incentives in the form of payments based on actual subcontracting achievement or award-fee contracting. Such incentives are only appropriate when the contracting officer ensures that the goals are realistic and that any such incentives are commensurate with efforts the contractor would not have otherwise made to achieve them (FAR 19.705).

Source: (OECD, 2016[16]).

Some countries encourage prime contractors to subcontract with SMEs by including this consideration as part of the evaluation criteria. Mexico for example gives additional points to prime contractors who subcontract with SMEs in accordance with the guidelines of the evaluation criteria.

Consideration of engaging SMEs as subcontractors is actively encouraged in large contracts in countries such as Canada and Australia. Canada for instance earmarks certain defence contracts for potential SME participation prior to bid solicitation. The solicitation documents convey to bidders that they will be granted bonus evaluation points for proposing and contractually committing to use SMEs in the performance of contracts. However, in both cases these policies create a serious risk of inflating procurement costs and redistributing taxpayers' money to the owners of SMEs. A better example of the promotion of SMEs as potential subcontractors in large tenders can be found in Australia, as described in Box 3.4.

Box 3.4. SMEs as subcontractors - Australia

SMEs as potential suppliers in large tenders.

The Australian Industry Participation (AIP) National Framework applies to large Commonwealth tenders (of AUD 20 million or more) and requires successful tenderers or panellists to prepare and implement AIP Plans. An AIP Plan is a document that outlines an organisation's actions to provide Australian industry with a full, fair and reasonable opportunity to participate in the organisation's project. An AIP Plan promotes the benefits of engaging Australian SMEs as subcontractors as opposed to relying on established supply chains when buying goods and services for the project.

Source: (Department of Industry, n.d.[17]).

Resource constraints in particular hinder SME participation in public procurement. To ensure that SMEs' limited access to finance does not impede them from participating in the public procurement market, Korea (for instance) has established a financing mechanism for them (Box 3.5).

Box 3.5. Liquidity support for SMEs in public procurement - Korea

Liquidity support for SMEs in public procurement in Korea comes from a network loan programme. Under this programme, 10 commercial banks have partnered with Public Procurement Service (PPS), the central purchasing body of Korea, to offer terms that allow SMEs to obtain loans for up to 80% of the contract amount solely based on the contract with PPS. This is a valuable means of support for SMEs, who may not otherwise have the financial standing to finance the performance of public procurement contracts.

The programme has been expanded substantially in recent years, providing as many as 13 000 loans of more than USD 400 million (see Table 3.1). Six institutions – including KIBO (Korea Technical Finance Corporation), Korea Federation of SMEs, Industrial Bank of Korea, Sinhan Bank, Hana Bank and Woori Bank – provide even more comprehensive support for SMEs in the form of warranties, loans and enterprise consulting. As of 31 December 2014, 1 223 warranties, loans and consultations were provided under this programme, for a total amount of USD 571 million.

Table 3.1. Network loans made to SMEs, 2012-17)

	2012	2013	2014	2015	2016	2017
Number of loans	10 048	11 472	11 419	12 412	13 857	13 385
Amount (in USD millions)	341.0	398.6	378.6	395.2	409.5	412.2

Source: Information provided by PPS.

Source: (OECD, 2016[16]).

3.3. SME heterogeneity is not sufficiently taken into account

There are discrepancies in the opportunities afforded to SMEs and their performance according to their size and the sector in which they operate, as well as the age, location and profile of the entrepreneurs and firms. The rationale for implementing SME-specific measures in public procurement often is to address the peculiar challenges presented by public procurement markets, as previously discussed in this chapter. SMEs do not experience these challenges in a uniform way. While most policies address SMEs as one group, this section discusses the characteristics of different subgroups of SMEs and whether developing tailored approaches would be beneficial.

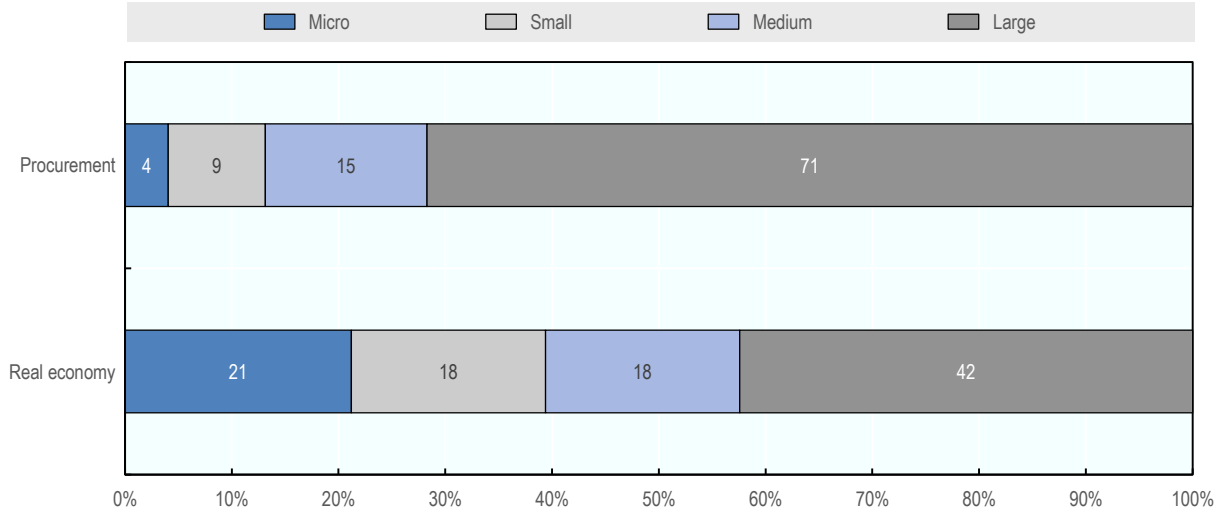
3.3.1. SME heterogeneity in relation to their size

The participation and performance of subgroups of SMEs according to their size – notably micro, small and medium-sized enterprises – varies widely in public procurement. As suggested in previous chapters, SMEs' resource and capacity constraints disproportionately affect their capabilities. Their disadvantages are not, however, uniform: micro-enterprises and small enterprises are more affected by these constraints than medium-sized enterprises, and micro-enterprises even more so than small enterprises. Furthermore, micro-enterprises are more vulnerable to the constraints that could be imposed by public procurement frameworks, such as the administrative burden of procedures and late payments (Nicholas and Fruhmann, 2014[18]).

Equally, the likelihood of an efficient micro, small and medium business winning a procurement will differ according to the sector in which they operate. For example, an IT start-up firm (classified as "micro" in size) may have a greater opportunity of succeeding in a national tender for IT services than a medium-sized manufacturing business in a regional tender. This emphasises the need for countries to consider how introducing policies to increase the bidding capability of SMEs and raise the visibility of their capability may be particularly valuable in certain sectors (see section 3.3.2 below).

While the contributions of micro- and small enterprises to employment (Figure 1.3) and to value-added (Figure 1.4) are significant, their participation and performance in public procurement do not match their market share. This was for example, the finding of a study of the EU public procurement market, that medium-sized enterprises are well represented in relation to their market share as opposed to small and micro-enterprises (see Figure 3.1) (PwC, ICF GHK and Ecorys, 2014[19]).

Figure 3.1. Difference between the share of SMEs in public procurement and their role in the economy, 2009-11 average, EU-27



Source: (PwC, ICF GHK and Ecorys, 2014[19]).

Indeed, analysis based on a survey of firms in Finland suggested that the size of SMEs is an influencing factor on their participation in public procurement markets. In particular, the lack of administrative resources, legal expertise and supply capabilities posed more problems for micro-enterprises than their small or medium-sized counterparts (Karjalainen and Kemppainen, 2008[1]). Another study, of Irish SMEs competing for public contracts, also concludes that SME size also corresponds with tendering experience, the number of persons involved in tendering, and propensity to participate in tender-related training, all of which in turn impact a SMEs' capacity to tender (Flynn, Mckevitt and Davis, 2015[14]).

The SME enablement programmes adopted across OECD countries do not differentiate between SMEs in terms of size, instead describing SMEs as one group. However, such a dichotomy between large enterprises and SMEs could underestimate the heterogeneity of SMEs.

Taking into account the diversity of SMEs, often regarded as their most important characteristic, could raise additional concerns. While public policy designs that take into account heterogeneity could be more effective in responding to the specific needs of their subgroups, the additional layer of complexity of institutions and conditions – especially in defining each subgroup and categorising the SME population – could negatively affect the SMEs that lack administrative and knowledge capacity (Nooteboom, 1993[20]). In the absence of a broad and comprehensive impact study, evidence of the effects of different policies on sub-groups of the SME population is mainly anecdotal at this point. The lack of evidence means that amending policies to provide differentiated capacity-building support would be "premature and speculative" (Flynn, Mckevitt and Davis, 2015[14]). In addition, the differences even in defining SMEs across countries further complicate cross-country analysis and evaluation of the effectiveness of SME-targeted support policies outside of a specific country's context.

3.3.2. Sector heterogeneity

The heterogeneity of SMEs is also observed in different industries. Due to differences in economies of scale, entry costs and the capital intensity of manufacturing sectors, more SMEs are located in the services and construction sectors, categories that include many self-employed workers (OECD, 2016[21]). Furthermore, SMEs' performance, especially their contribution to employment and value added, differ widely across sectors as well. In the services sector, SMEs account for 60% or more of total employment and value added in nearly all countries. In manufacturing on the other hand, large firms – while relatively few in number – provide a disproportionate contribution to employment and value added, mainly reflecting increasing returns to scale from more capital-intensive production, as well as entry barriers related to investment (OECD, 2017[7]).

The heterogeneous characteristics of SMEs could also imply sector-specific challenges in the public procurement market. The results of a survey of Canadian SMEs echo this perception: Table 3.2 displays the results of a survey on the barriers faced by SMEs in Canada when selling to government. SMEs in different industries have different perceptions of constraints related to the public procurement market. The results demonstrate that certain sectors are significantly more affected by specific type of barriers than the others.

Table 3.2. Obstacles when selling to the federal government, Canada

2014 Survey on Financing and Growth of Small and Medium Enterprises (in percentage of the responses)

	Complexity of contracting process	Difficulties in finding contracting opportunities	High costs of the contracting process	Long delays in receiving payment	Difficulty meeting contracting requirements	Difficulty providing all services required
All SMEs	41.3	30.8	28.8	23.8	20.3	14.9
SME suppliers	43.2	25.9	26.5	21.7	19.6	14.0
Sector						
Professional, Scientific and Technical Services	**51.2**	43.9	35.5	19.6	24.8	14.3
Information and Communication Technologies (ICT)	50.0	**52.2**	**39.1**	21.7	**37.0**	13.0
Wholesale Trade	48.1	28.0	30.4	21.3	18.6	22.0
Manufacturing	46.9	36.0	22.9	19.7	24.7	20.1
Construction	42.8	26.5	31.0	**30.7**	22.4	12.3
Other Services	40.6	32.5	9.0	15.9	17.4	13.5
Transportation and Warehousing	34.9	38.7	31.2	29.0	**10.1**	13.1
Knowledge-based Industries	34.8	30.0	23.1	26.4	19.8	15.6
Retail Trade	33.7	29.0	22.1	**16.0**	18.9	**22.2**
Information/Cultural Industries, etc.	33.6	23.5	33.3	26.8	17.1	10.3
Tourism	32.4	19.6	24.9	24.9	12.7	**3.6**
Agriculture/Forestry/ Fishing/Hunting Industries and Mining/Oil/Gas	32.2	37.2	28.6	27.3	16.9	18.4
Accommodation and Food Services	**29.1**	**15.5**	**7.7**	20.5	18.0	8.2

Note: The percentages in bold are the maximum and minimum value in each obstacle category.
Source: (Liao, Orser and Riding, 2017[22]).

A thorough understanding of the heterogeneous characteristics of the SME population in public procurement could help governments identify the subgroups that are more vulnerable to barriers in the system, and consider more targeted approaches. Academics have also highlighted the need for more refined research on SME characteristics and how they influence tendering (Flynn, Mckevitt and Davis, 2015[14]). However, as highlighted previously, given the lack of evidence regarding the policy impact on SME participation and on broader economic and social objectives, hasty policy reactions could burden SMEs with added complexity.

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Chapter 4. Enabling implementation: What is it SMEs and public procurement officials need?

This chapter looks at how government efforts to support SME participation in public procurement also tackle policy implementation. The success of SME policies depends on the effectiveness of their implementation by contracting authorities and ultimately by public procurement practitioners. For this reason, governments typically go beyond policy development to support implementation by providing training, guidance and tools. Similarly, in many cases, SMEs depend on guidance and support in order to make the most of opportunities to participate in public procurement markets. This chapter identifies the enablers used by countries to support successful policy implementation. Mention is made that the strength of policy implementation for SMEs in public procurement will hinge on the strength of governments' relationships with those SMEs, bolstered by direct consultation.

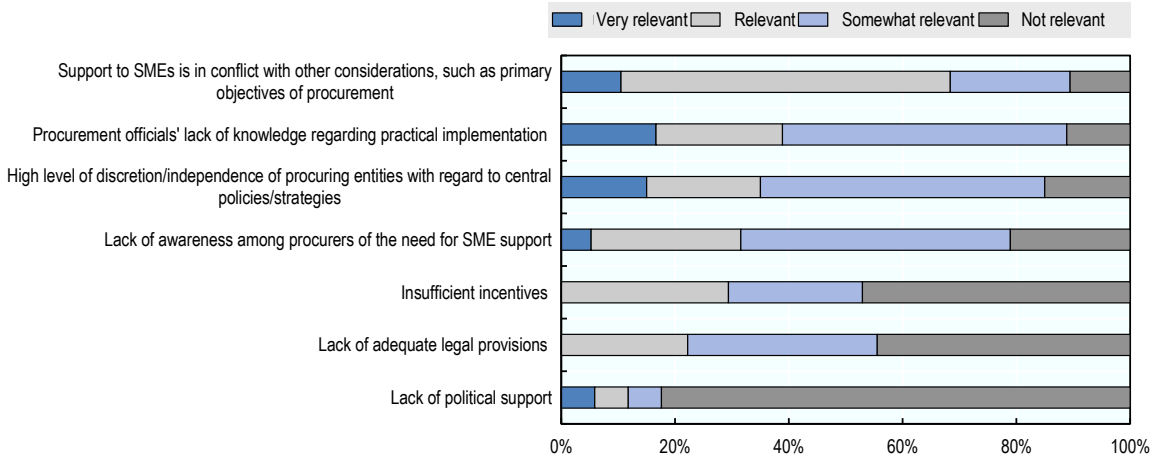
The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

SME enablement strategies in OECD countries aim to facilitate access to public procurement opportunities and ensure a level playing field among economic operators. As discussed in Chapter 2. , a consensus has been formed on the characteristics of a public procurement system that facilitates access for all suppliers. Chapter 3. then discussed the policy measures required to develop those characteristics within the public procurement system. Yet while policy development is a key part of SME enablement, implementation of these measures in daily procurement operations will have a decisive effect on their impact.

To support successful implementation, central authorities in many countries have provided implementation tools such as action plans, guidelines, training programmes and workshops to contracting authorities and procurement practitioners. The choice of implementation tools tends to reflect a country's governance structure, as well as the organisation of its public procurement function. For example, those countries with a weaker central mandate have only set general directions at the central level, giving the contracting authorities discretion as to how they will incorporate strategies or policies into their daily operations. For instance, the Dutch Central Government, which does not have a central CPB, encourages inclusion of strategic objectives in public procurement, leaving each contracting authority to decide how and when to incorporate them into policies and decisions.

When asked about the implementation stage of SME strategies and policies, respondents identified public procurement officials' lack of knowledge and awareness, and the high level of discretion granted in procurement decision making, as two of the three most relevant challenges (Figure 4.1). In this light, this chapter presents and analyses approaches adopted by countries to meet those challenges.

Figure 4.1. Challenges in implementing strategies and policies to support SMEs through public procurement



Note: The survey respondents were asked to indicate how relevant each option is in their country - from 1 (not relevant) to 4 (very relevant).
Source: 2017 OECD survey on strategic use of public procurement to support SMEs.

4.1. Enhancing the capacities of public procurement officials

Capacity is a key pillar of a sound public procurement system. The OECD Recommendation stresses the link between the capacity of the public procurement workforce and an efficient and effective public procurement system (Box 4.1). Officials working in this field, when equipped with the right set of knowledge, skills, behaviour and competencies, can contribute to the future sustainability of the financial and governance system of public procurement (OECD, 2016[1]).

Box 4.1. OECD Recommendation of the Council on Public Procurement – Principle on Capacity

The Council:

IX. RECOMMENDS that Adherents develop a procurement workforce with the capacity to continually deliver value for money efficiently and effectively.

To this end, Adherents should:

i) Ensure that procurement officials meet high professional standards for knowledge, practical implementation and integrity by providing a dedicated and regularly updated set of tools, for example, sufficient staff in terms of numbers and skills, recognition of public procurement as a specific profession, certification and regular trainings, integrity standards for public procurement officials and the existence of a unit or team analysing public procurement information and monitoring the performance of the public procurement system.

ii) Provide attractive, competitive and merit-based career options for procurement officials, through the provision of clear means of advancement, protection from political interference in the procurement process and the promotion of national and international good practices in career development to enhance the performance of the procurement workforce.

iii) Promote collaborative approaches with knowledge centres such as universities, think tanks or policy centres to improve skills and competences of the procurement workforce. The expertise and pedagogical experience of knowledge centres should be enlisted as a valuable means of expanding procurement knowledge and upholding a two-way channel between theory and practice, capable of boosting application of innovation to public procurement systems.

Source: (OECD, 2015[2]).

The performance of SME enablement policies is closely linked to the capacity of the procurement practitioners who are responsible for implementing them. Design of the public procurement processes that affect SME participation – such as the types of procedures applied, decisions on the size of contracts, specifications of qualification criteria, etc. – involves a certain level of judgement from public procurement officials. For instance, public procurement regulatory frameworks in OECD countries define the grounds on which suppliers can be qualified and selected. However, these criteria are often generic in character. Qualitative criteria on technical capacity, as well as a subjective understanding of financial information, imply a certain degree of discretion for contracting authorities' when executing procedures (Bovis and Calzolari, 2012[3]).

As such, the capacity of public procurement professionals has critical implications for effectively implementing public procurement strategies and the sound functioning of the system. However, for a number of reasons, governments face challenges in equipping the public procurement function with adequate capacity (OECD, 2013[4]). Management of the public procurement workforce is often under the responsibility of each public entity, for example, and often carried out by individuals who are not dedicated procurement professionals. Governments thus use a number of methods in order to enhance the capacity of the public officials in procurement function representing a broad and diverse workforce. Typically, these include practices such as issuing guidelines and providing online and in-person training courses.

4.1.1. Providing guidance to public procurement officials

It is clear from the preceding that sound implementation of the policies and strategies set out by governments depends to a large extent on the extent to which the contracting authorities truly understand the market and the need. The measures implemented to facilitate SME participation in public procurement (as discussed in Chapter 2.) depend on several factors – among others, the procurement object, the market conditions, the needs of contracting authorities and the risks associated with the process. Governments must provide sufficient guidance to help public procurement officials take these elements into account when carrying out market analysis, designing technical specifications, awarding criteria, etc.

Considerations related to SMEs must also be taken into account during the development of the procurement strategy, the design of tender documentation and the execution of the procedure. These elements need to be clearly communicated to public procurement officials in a way that aligns with national policies and strategies. For instance, Circular 10/14[1], issued by the Department of Public Expenditure and Reform in Ireland, sets out guidance for all public sector bodies to further enable SMEs to compete for public contracts. It covers the key areas affecting their participation, such as market analysis (see Box 4.2), capacity and turnover requirements, sub-dividing contracts into lots, etc.

Box 4.2. Guidance on market analysis to assist SMEs in Public Procurement - Ireland

The Circular 10/14, applied to all public sector departments and offices, includes guidance for buyers to further enable SMEs to compete for public contracts. The guidance, which sets out positive measures that buyers should take to promote SME involvement in public sector procurement, includes the following on market analysis.

"Buyers should undertake market analysis prior to tendering in order to better understand the range of goods and services on offer, market developments and innovation, what commercial models are available, the competitive landscape, and the specific capabilities of SMEs etc. Initial consultation with the market should not have the effect of precluding or distorting competition. To ensure transparency, any information provided by the buyer during this process should be circulated to any potential tenderer.

The Office of Government Procurement has established Category Councils for 16 categories of goods and services bought by the Public Service. The role of each Category Council is to develop commercial strategies for sourcing goods and services in their category in line with the needs of customer organisations and in the context of obtaining best value for money. Each council is made up of members who are nominated by the departments and agencies that are the main users of the category. This initiative strengthens the professional approach that Government is now attaching to public procurement. Buyers can contact the Category Council lead (support@ogp.gov.ie) to understand how their needs align to the Category Council strategy or may be met by an existing framework or contract."

Source: (Department of Public Expenditure and Reform, 2014[5]).

Government guidance such as in the above example of Ireland is common. Such instruction can help contracting authorities understand practical application of public procurement rules and areas of consideration for SME participation. Guidance on easing their access to public procurement can exist either as a standalone document or as part of broader guidance – on strategic procurement for example, or for public procurement in general.

For instance, within the framework of its overall public procurement policy, Belgium has developed a guide to help contracting authorities take into account sustainable development criteria. One of the principal objectives of the guide is "improving the quality of economic growth, the competitiveness of companies and the conditions for competition through the creation of a level playing field that allows enough companies, including SMEs, to participate in public procurement." Australia released guidance on payment policies and on the use of standardised documentation; these aim to improve procurement practices in general though SMEs stand to benefit from these initiatives.

Mandatory guidance is provided to contracting authorities in the Netherlands on use of the proportionality principle (*Gids proportionaliteit*). In Lithuania, guidance is issued on proper implementation of the Law on Public Procurement, prepared by the central procurement office. Slovenia has adopted several guidelines on how to procure in certain categories, including guidelines for procuring works; architectural and engineering services; information solutions; and cleaning and security services (currently under

preparation), as well as recommendations for application of financial insurance in public procurement.

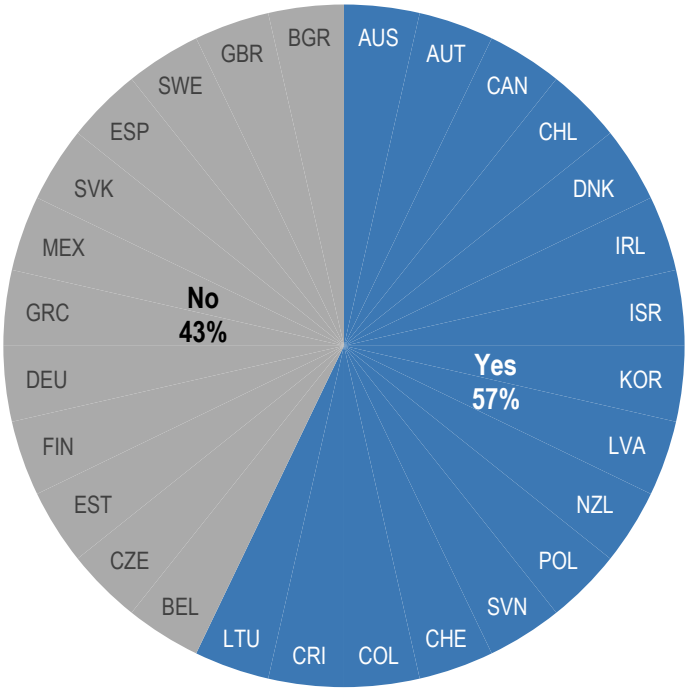
In addition to guidance, implementation efforts can also be supported by making changes to the template tender documentation provided to contracting authorities. In New Zealand and France, development of model contracts and simplification and standardisation of other tender documents have reduced compliance costs for suppliers that are felt acutely by SMEs. Lithuania has published educational materials on line, such as educational films, tests, briefings and infographics, all with a view to building the capacity of procurement professionals.

4.1.2. Training the public procurement workforce

Delivery of high-quality training can help public procurement employees increase their awareness of SME policies, and thus improve their capacity to apply them in daily procurement operations. Constant management and evaluation of workforce capacity, along with monitoring of capacity development efforts, could help sustain performance improvements (Mpofu and Hlatywayo, 2015[6]).

In order to ensure sound implementation of SME support strategies and policies, over half of the OECD countries surveyed organised specific training sessions to enhance public procurement officials' capability (Figure 4.2). For instance, Australia has organised training sessions for key initiatives that benefit SMEs, such as standardised procurement documentation.

Figure 4.2. Specific training sessions organised for the public procurement workforce on the implementation of strategies and policies that support SMEs



Source: 2017 OECD survey on strategic use of public procurement to support SMEs.

In particular, training sessions and briefings were organised to discuss changes to the rules or the introduction of new public procurement regulatory frameworks. Some examples include:

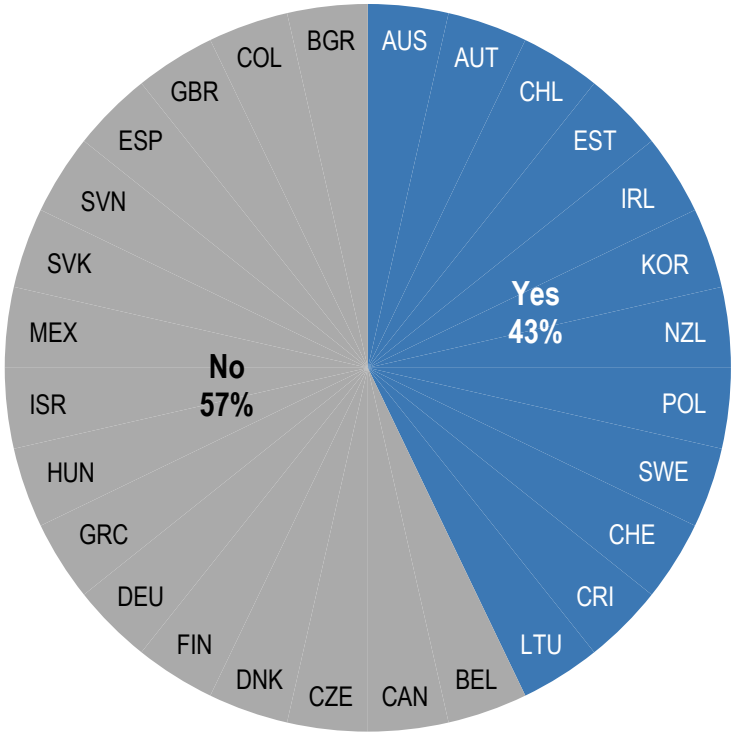
- Denmark: training on the implementation of the new Public Procurement Act of 2016, organised for government employees
- Ireland: annual conference organised by the Office of Government Procurement covering all of the latest policy developments that are relevant to suppliers
- New Zealand: briefing sessions held for contracting authorities, including chief executive briefings, regular "breakfast" sessions, tailored briefings on new policies (e.g. Government Rules of Sourcing Update and Extension of Rules and the Significant Service Contract Framework)
- Slovenia: roadshows in several regions of the country as well as theme-based education were carried out following adoption of the Public Procurement Act (ZJN-3), and will continue to be carried out periodically.

In addition to training organised at the central level, some training sessions are organised by contracting authorities for their employees, as is the case at the Federal Ministry of Science, Research and Economy of Austria.

CPBs, as key players in the overall public procurement system, expend efforts to train their employees in implementation of SME enablement policies and strategies. In the case of Canada, a course is delivered on an ongoing basis to employees of Public Services and Procurement Canada (PSPC) on how to engage stakeholders while managing procurement. Another course is under development on how to build consensus with stakeholders for PSPC employees.

An increasing number of countries are realising that the effectiveness and impact of strategic public procurement relies significantly on the skills and competencies of the procurement workforce (OECD, 2018[7]). Forty-three percent of countries integrate SME considerations into capacity-building activities for the public procurement workforce (Figure 4.3). In Chile, inclusion of SMEs in public procurement is covered as a topic in the accreditation test for public procurement officials.

Figure 4.3. Extent to which SME support is integrated into general capacity-building activities for the public procurement workforce in OECD countries



Source: 2017 OECD survey on strategic use of public procurement to support SMEs.

Collaborative approaches with knowledge centres could also be a valuable means to expand public procurement workforce capacity. In order to benefit from the expertise of knowledge centres, the Ministry of Commerce, Industry and Tourism in Colombia, for instance, signed an agreement in 2012 with PROPAÍS (Institute for the Development of Microenterprises), which is a mixed-entity composed of public and private entities. The agreement was aimed at developing micro and small businesses by providing training and workshops on public procurement in different regions of Colombia.

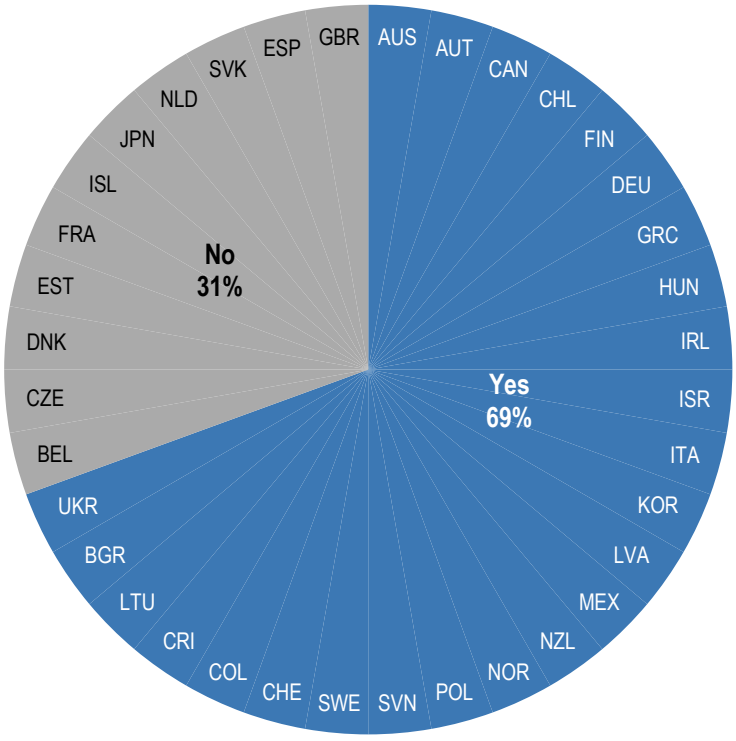
4.2. Building SMEs' capacity to participate in public procurement markets

Compared to their larger counterparts, SMEs often lack the legal and technical expertise to prepare bids or understand public procurement procedures. Some also argue that a lack of human and financial resources could prevent SMEs from adopting new technological solutions that could improve their overall performance (Grando and Belvedere, 2006[8]). This also implies that SMEs could be at a disadvantage when they are required to adopt different public procurement technologies. Research suggests that SMEs feel that their resources and capabilities affect their performance in public procurement markets, and the lack of administrative resources and legal expertise represents a hindrance to their participation (Karjalainen and Kemppainen, 2008[9]).

Recognising the relatively low capacity of SMEs, governments organise training and workshops in order to better equip them with the necessary information and knowledge to participate in public procurement markets. In two-thirds of surveyed countries, supplier

capacity-building exercises are organised to support SMEs in public procurement (Figure 4.4).

Figure 4.4. Training and workshops carried out to support SMEs in public procurement



Source: 2017 OECD survey on strategic use of public procurement to support SMEs.

Supplier capacity-building exercises are typically organised by public bodies in charge of public procurement policies and central purchasing bodies (though in some countries these are housed within the same institution). Examples of the training activities organised by those bodies are displayed in Table 4.1

Table 4.1. Training and workshops for SMEs carried out by public procurement authorities

Country	Types of activities
Australia	The Australian Government participates in relevant trade shows and hosts supplier events to develop capabilities of suppliers
Austria	Training offered by economic chambers, central purchasing institutions and law firms covers all aspects of the public procurement system
Canada	The Office of Small and Medium Enterprises of PSPC (the country's central purchasing body) presents at events and provides seminars and webinars across the country for SMEs, including: Doing business with the Government of Canada; Obtaining security clearance; How specific procurement instruments (e.g. Professional Services) Work. A catalogue of offerings and registration are available on line.
Hungary	The Prime Minister's Office and the Public Procurement Authority have organised several conferences and workshops – with special emphasis on the new public procurement rules.
Korea	The Public Procurement Training Institute – under the Public Procurement Service, the central purchasing body of Korea – runs trainings for all suppliers on various topics, including framework contracts; quality management policies; determining contract prices and construction claims; and how to register and use new e-procurement platforms for start-up companies. In 2016, the Institute provided training for a total of 2 744 suppliers.
Norway	Difi, the central purchasing body of Norway, has launched a workshop on "balanced public procurement" where SMEs are trained for public procurement processes. These workshops are sector-specific.
Switzerland	Information events are regularly organised by central purchasing bodies to increase awareness of opportunities to bid for government purchases, the types of procedures and the types of purchases (goods/services/construction).

Source: Country responses to the 2017 OECD survey on strategic use of public procurement to support SMEs.

The government agencies and bodies established to support SME development are also closely involved in providing the capacity-building exercises. This is the case, for instance, of the Small and Medium Businesses Agency in Israel. The Polish Agency for Enterprise Development also offers training and services that help entrepreneurs to participate in the public procurement market (see Box 4.3).

Box 4.3. Training and workshops provided by the Polish Agency for Enterprise Development

The Polish Agency for Enterprise Development (PARP) (www.parp.gov.pl/) provides general and specific training and workshops for SMEs. PARP also offers training and services to help entrepreneurs answer strategic questions, such as:

- What is the company going to be like in several years?
- What will I produce?
- To whom do I want to sell my products and services?
- What skills and resources do I need?

To help entrepreneurs respond to these questions, PARP provides training in the areas of strategic management, participation in public procurement, international public procurement, and public-private partnerships.

The agency also offers various publications to help entrepreneurs participate and perform in public procurement markets. Some of the publications that relate to SMEs' participation in public procurement include *A New Approach to Public Procurement*; *Innovative Public Procurement in Poland*; *Public Procurement and Innovative SMEs*; *Innovative Entrepreneurship: Revealed and Hidden Potential for Innovation in Poland*; and *Is Your Company Innovative? How to Explore Innovations in the Service Sector? Hints for SMEs*.

Source: Country responses to the 2017 OECD Survey on strategic use of public procurement to support SMEs.

Training for suppliers is also commonly provided in partnership with non-public bodies that focus on business development. For instance, InterTradeIreland, a cross-border trade and business development body funded by the Department of Business, Enterprise and Innovation Ireland and the Department for the Economy in Northern Ireland, provides training on different phases of tendering, with the support of the Office of Government Procurement, the central purchasing body of Ireland (see Box 4.4 for further information). New Zealand provides another example of a government partnership with regional businesses to provide information, training and, if appropriate, funding to local businesses. Business and industry associations also work with local businesses interested in tendering to government and other large organisations.

Box 4.4. Go-2-Tender Training Scheme for SMEs - Ireland

InterTradeIreland, an agency funded by the Department of Business Enterprise and Innovation in Ireland (DBEI) and the Department for the Economy, provides a number of services to business with the goal of enhancing growth opportunities, innovation and competitiveness. It is recognised for offering services targeted specifically at SMEs that aim to help them compete in procurement markets.

Its foremost service in this regard is the Go-2-Tender training scheme, two-day practical tender workshops designed for an SME audience that covers key aspects of procurement. During the seminar SMEs are taught the knowledge and practical skills that will enable them to be successful at tendering, such as identifying opportunities, registering on procurement portals, bid/no bid decision making, and drafting of successful proposals. To participate, companies must meet a number of eligibility criteria, such as being classified as an SME, operating in the manufacturing and tradable services sectors and demonstrating export potential. The workshops are conducted by experienced tender specialists and provide insight into the procurement practices of public sector bodies in Ireland. Guest speakers from central government/large public procurement organisations are also invited. In addition to the plenary session, half a day of the workshop is dedicated to mentoring sessions, where participants can choose their topic of interest. Workshops are offered in various locations and participation fees of EUR 100 apply. In 2016, seven seminars were held across the country and a similar number is foreseen for 2017. Participants can also apply for a follow-up workshop once they have concluded the first Go-2-Tender seminar. Since the programme was introduced in 2007, over 900 companies have completed the workshop and were able to win procurement contracts worth EUR 69 million.

In addition, InterTradeIreland organises practical half-day seminars aimed specifically at small business owners who will be new to public sector tendering, have limited knowledge and/or experience of the market, or simply want to refresh their knowledge of the public sector. Targeting the micro sector (<10 employees), these seminars focus on low-value/under-threshold opportunities. They also arrange Meet the Buyer events, offering SMEs the opportunity of face-to-face interaction. Finally, the agency offers FAQs, guides, videos and presentations as well as dedicated events on emerging trends that impact the procurement environment for SMEs.

Source: Country responses to the 2017 OECD Survey on strategic use of public procurement to support SMEs.

Ukraine provides an example of how training and workshops are organised for SMEs in co-operation with commercial providers and knowledge centres, including at the regional level (see Box 4.5).

Box 4.5. Training and workshops carried out for SMEs in a collaborative way – Ukraine

The Ministry of Economic Development and Trade of Ukraine, an authorised body in the public procurement sphere and the leader of public procurement reform, organises different regional public procurement workshops and training for SMEs in co-operation with operators of commercial e-platforms, business schools and international organisations. In all regions of Ukraine there are representatives of the public procurement reform team responsible for organising and carrying out seminars, training and consultation in the field of public procurement for suppliers and contracting authorities.

Furthermore, the Ministry has launched a project called the "GPA (Government Procurement Agreement) Implementation Office", which helps Ukrainian suppliers, first and foremost SMEs, participate in international public procurement, in both an active and advisory capacity. The GPA also helps to create ecosystems that promote the participation of Ukrainian exporters in the public procurement markets of other GPA signatories and of importers from countries participating in the GPA. Main areas of business support include providing office; providing access to information on international requirements; assisting in the preparation of the tender offer; advising on fulfilling tender requirements; analysing public procurement markets of the Agreement; and supporting appeals in international tenders.

Source: Country responses to the 2017 OECD Survey on strategic use of public procurement to support SMEs.

Establishing advisory help desk services and dedicated contact points could supplement the guidance already offered through websites, manuals and training courses by providing SMEs with additional support on an ad hoc basis. For instance, PSPC, Canada's central purchasing body, has an SME info-line that SMEs can contact by telephone, web forms and emails. Even where a help desk service has not formally been established, countries have opened up channels through which suppliers can contact contracting authorities. These channels are actively communicated on contracting authority websites and e-procurement platforms.

4.3. Ensuring implementation across and between different levels of government

Public procurement frameworks aimed at levelling the playing field for SME participation are very often defined at the central level. However, national policies do not prescribe specific applications for individual measures. Each contracting authority has different public procurement needs, and thus their application will reflect those needs and be relevant to the supplier market in question.

With this in mind, countries devote efforts to ensuring the sound implementation of central policies and strategies across government. In the case of Sweden, a dedicated body in charge of oversight facilitates government-wide implementation of the central strategy. While each contracting authority is responsible for implementing the National Public Procurement Strategy, the National Agency for Public Procurement has the specific task of following up on implementation of the strategy's seven policy objectives.

Having a dedicated body or unit that provides support to SME enablement programmes in public procurement could facilitate communication between the public and private sectors and thus boost coherence among different parts of government. The Office of Small and Medium Enterprises within PSPC in Canada provides an advisory role in this regard (see Box 4.6).

Box 4.6. Addressing SMEs' challenges and constraints through the Office of Small and Medium Enterprises in Canada

The Office of Small and Medium Enterprises (OSME) in Public Works and Government Services Canada assists the government in bridging the gap between supply and demand by bringing to light the concerns and challenges of SMEs in the federal procurement process. OSME works with SMEs to address their key challenges and constraints by:

- understanding and reducing the barriers that prevent SMEs from participating in federal procurement
- advising government buyers and policy makers on SME concerns
- recommending improvements to procurement tools and processes to encourage SME participation in federal procurement.

PSPC provides additional information available to SMEs on their webpage under "Help for SMEs" (www.tpsgc-pwgsc.gc.ca/app-acq/pme-sme/index-eng.html). Information services include:

- a portal that provides access to federal procurement information and open data including bid opportunities (tenders), standing offers and supply arrangements, and contract history
- free seminars, webinars and one-on-one sessions to assist suppliers in understanding federal procurement
- telephone information line for suppliers who have questions about the procurement process and related tools.

The Office of Small and Medium Enterprises also manages the Build in Canada Innovation Programme, which assists Canadian businesses in testing their innovative goods and services before they are commercialised.

Source: Country responses to the 2017 OECD Survey on strategic use of public procurement to support SMEs.

Requests can also be made at the central level to contracting authorities at regional and local levels in order to support broad implementation of national policies and strategies. An example can be found in Japan, where a request was issued by the Minister for Economy, Trade and Industry to the heads of each agency and ministry, prefectural governors, all municipal mayors, and mayors of the Tokyo special wards (1 805 organisations) regarding Cabinet approval of the Basic Policy on State Contracts with Small and Medium Enterprises. The request urged contracting authorities to increase opportunities for SMEs and micro-enterprises in public procurement activity.

Consultation with government agencies responsible for SME policies, or government-appointed SME advisory groups or panels, could further facilitate effective implementation of public procurement policies and strategies to support SMEs. In Finland, for instance,

there is a network of procurement agents organised at the regional level that supports SME participation in public procurement.

Box 4.7. The network of public procurement agents, Finland

In 2009 the Federation of Finnish Enterprises launched a new service to improve SME participation in public procurement. This network of procurement agents helps SMEs participate in tendering processes, in particular through providing information and organising training and seminars. The network also offers electronic tools, market facts and other relevant information concerning tendering processes. The goal of the network is to provide all the assistance needed from one place.

In 2012 the service was extended to cover all regions of Finland; today network coverage extends to 11 regions. The network is financed by the Ministry of Economic Affairs and Employment and by the Federation of Finnish Enterprises. There is additional financing from e.g. municipalities, and the network can also charge small fees for its services.

Contracting authorities also have the possibility to use the network of procurement agents and its services. Currently there are over 17 000 SMEs and 2 000 contracting authorities using the service. The most popular service is the "invitation to tender watch", which offers companies classified information about invitations for tenders in companies' own business areas. This service is used more than 35 000 times each month.

Source: Information provided by Finland to the 2017 OECD Survey on strategic use of public procurement to support SMEs.

4.4. Engaging with SMEs to build a robust and lasting partnership

Engaging with stakeholders such as those that will be directly affected by a given policy constitutes a key element of developing and implementing that policy. Similarly, incorporating the voice of SMEs when developing SME enablement programmes in public procurement helps government better understand their challenges, and design and implement policies that will boost their participation and performance.

Governments indeed often carry out consultation with SMEs through their associations or at public events when assessing the constraints of public procurement frameworks. Box 4.8 illustrates how consultation with SMEs in the Netherlands improved the implementation of policies, while also addressing the challenge of procurement officials' lack of knowledge regarding practical implementation.

Box 4.8. SME consultation to improve policy implementation – Netherlands.

During the implementation in 2016 of European directives (2014/14/EU) through amendment to the Dutch Public Procurement Act ("Aanbestedingswet 2012"), consultations were held with the branch organisation of SMEs (MKB Nederland). Furthermore, all SMEs had the opportunity to comment on the act through Internet consultation.

SMEs had been asked about their experiences with the Dutch Public Procurement Act during its evaluation in 2015. The evaluation concluded that the problems with the Act were mainly due to its practical application, as opposed to stemming from the act itself. To overcome these practical problems, the project Better Public Procurement (Beter Aanbesteden) was launched by the Dutch Government in 2016. In this project, SMEs work together with contracting authorities across different regions to identify constraints and develop concrete actions to improve public procurement practices. SME organisations were consulted also at the national level to discuss constraints and actions.

Source: Country response to 2017 OECD Survey on strategic use of public procurement to support SMEs.

Governments devote efforts to building sustained relationships with SMEs, not only when legal or regulatory changes are being introduced. For instance, Poland provides regular information meetings with interested enterprises, mainly SMEs, to encourage their engagement in, and knowledge of, topics such as the e-catalogue platform of the Public Procurement Office.

Note

[1] Circular 10/14: Initiatives to assist SMEs in Public Procurement, accessible at http://etenders.gov.ie/Media/Default/SiteContent/LegislationGuides/Circular_10_-_14_0.pdf

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Chapter 5. Monitoring and evaluation: How are SMEs performing?

This chapter discusses current approaches for assessing implementation of SME support and public procurement policies, strategies and measures. While the importance of measuring and monitoring the performance is widely acknowledged, those activities not consistently carried out by countries. Governments that do measure SME policies focus on participation and success in tender processes. Such measures are useful for measuring changes in SME engagement over time, but they do not shed light on the location or size of the barriers that SMEs face. The proliferation of e-procurement systems has unlocked a great deal more data that can be analysed towards those ends. This chapter identifies the different measurement techniques employed by countries to improve the development and implementation of policies and regulations. The key role played by central purchasing bodies (CPBs) is also examined, followed by a close look at the various challenges to measuring the effectiveness of SME support policies.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Evaluating the results of policies is crucial for monitoring their implementation, as well as for managing the performance of the public procurement system, as highlighted by the *OECD Recommendation of the Council on Public Procurement* (Box 5.1).

Box 5.1. OECD Recommendation of the Council on Public Procurement – Principle on Evaluation

The Council:

X. RECOMMENDS that Adherents drive performance improvements through evaluation of the effectiveness of the public procurement system from individual procurements to the system as a whole, at all levels of government where feasible and appropriate.

To this end, Adherents should:

i) Assess periodically and consistently the results of the procurement process. Public procurement systems should collect consistent, up-to-date and reliable information and use data on prior procurements, particularly regarding price and overall costs, in structuring new needs assessments, as they provide a valuable source of insight and could guide future procurement decisions.

ii) Develop indicators to measure performance, effectiveness and savings of the public procurement system for benchmarking and to support strategic policy making on public procurement.

Source: (OECD, 2015[1]).

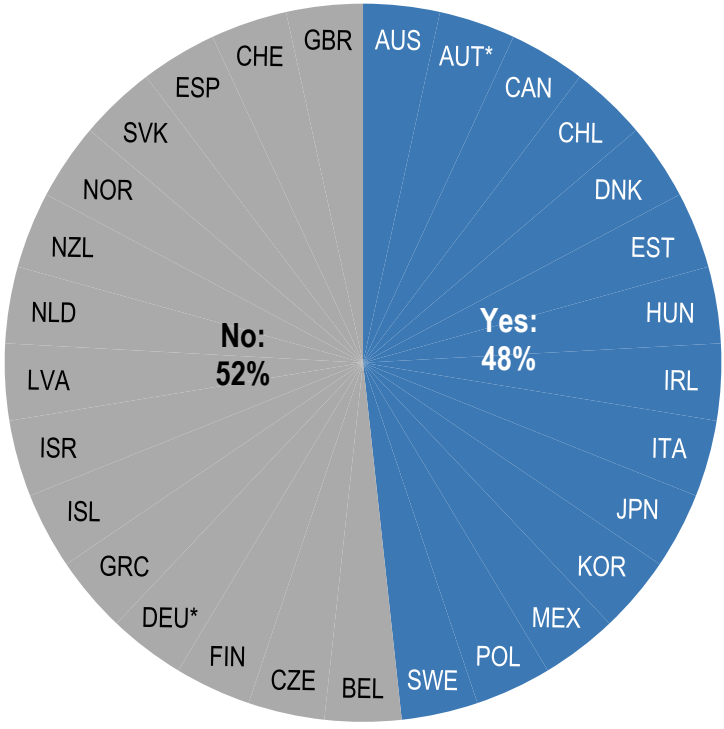
In most OECD countries, SME policies focus on facilitating access to public procurement opportunities by ensuring a level playing field for all economic operators. Governments moreover seek economic and societal development through SME growth. It is therefore crucial to evaluate whether the measures in place achieve these objectives. Given the plethora of different policy options that can be pursued by government, many of which are unrelated to public procurement, a holistic assessment can help to identify the most effective policy mix. Such evaluation makes it possible to gauge performance, and in turn better manage the public procurement function by helping government to identify implementation gaps and, if any, the unexpected adverse effects of such measures.

This chapter discusses current approaches for assessing implementation of SME facilitation and support public procurement policies, strategies and measures. In addition to discussing how implementation is monitored, it addresses measurement of the effectiveness of procurement in achieving various objectives, as stressed by the OECD Recommendation.

5.1. Measuring SMEs' ease of access through their market share in public procurement

The share of SMEs' participation in public procurement markets is one way of measuring their ease of access. Indeed, the share of contracts that have been awarded to SMEs, in terms of both number and value, is the most commonly measured area, yet it is still only measured by less than half of OECD countries (Figure 5.1). Some countries, such as Germany and Poland, are currently planning to systematic collect data on the share of public procurement awarded to SMEs.

Figure 5.1. Measuring the share/value of public procurement contracts awarded to SMEs



Note:. In Austria, this measurement is only performed for the Federal Procurement Agency (BBG), the country's CPB. In Germany, the data will be measured once the new regulation on statistics on public procurement takes effect.
Source: 2017 OECD Survey on strategic use of public procurement to support SMEs.

Some countries have defined specific targets for SME participation in public procurement markets – namely, Australia, Canada, Japan, Korea, Mexico and the United Kingdom (Table 5.1). These targets are also described in terms of contracts won by SMEs. Countries sometimes also define the timeline by which the goal must be achieved. For instance, the United Kingdom has a target of 33% of central government procurement spending to go to SMEs, directly and through the supply chain, by 2022. This replaces a previous target that was met, to achieve 25% by 2015.

Table 5.1. SME contract award targets in public procurement

Country	Area of measurement	Target	Results
Australia	Share of contracts by value	10%	• 24% in 2015-16 • 28% in 2014-15 • 34% in 2013-14
Canada	Share of contracts awarded by PSPC (Public Service and Procurement Canada), the federal government's CPB	40%*	• 23% in 2014 • 43% in 2015 • 47% in 2016
Japan	Share of contracts by value	55.1% (for fiscal year 2017)	• 51.4% in fiscal year 2016 • 50.8% in fiscal year 2015
Korea	Share of SME-manufactured products by value	50%	
	Priority purchase of SME-developed technology products	10%	
Mexico	SME share of the exceptions to open tenders, by value	50%	
United Kingdom	Share of central government procurement spent directly and through the supply chain	33% by 2022	• 27.1% of central government buying with small businesses in 2014-15

* The share of contracts awarded to SMEs is calculated based on AIS (Acquisition Information Service) for PSPC-managed procurements and using standard document exclusions to avoid duplication of data. The figures only include contracts awarded to Canadian companies (i.e. located in Canada), as the business sizes for foreign companies are not available.
Source: 2017 OECD Survey on strategic use of public procurement to support SMEs

Targets defined in public procurement regulatory frameworks can demonstrate governments' commitment to the objective of increasing SME participation. Statutory goals exist in some countries, such as Japan, Korea and Mexico, as described below:

- In Japan, the Basic Policy on State Contracts with Small and Medium-sized Enterprises, which is annually enacted based on the Act on Ensuring the Receipt of Orders from the Government and Other Public Agencies by Small and Medium-sized Enterprises, sets the goal for the fiscal year, including the target amount and the ratio of contracts with SMEs and micro-enterprises against the total budget of state contracts. Cabinet approval was given in August 2015 for setting 54.7% as the target contract ratio among SMEs and micro-businesses in fiscal year 2015, and for roughly doubling the ratio of state contracts with new SMEs over the three fiscal years from 2015 to 2017, compared to 2014 (estimated at around 1%).
- In Korea, the Enforcement Decree of the Act on Facilitation of Purchase of SME-Manufactured Products and Support for Development of their Markets sets an annual goal for SME-manufactured product purchases, of 50% or more of total purchasing value. Furthermore, Korea has priority purchase goal of 10% for SME-developed technology products. The Ministry of SMEs and Startups centrally monitors these goals by collecting purchasing performance records and purchasing plans, and manages a database system containing these statistics. The results are submitted to the National Assembly and released to the general public.
- In Mexico, the Law of Acquisitions, Leases and Services of the Public Sector stipulates that in order to promote the development and participation of SMEs in public procurement, agencies must award them at least 50% of the contracts that were carried out as exceptions to open tender each year. Furthermore, the Law for the Development of the Competitiveness of Micro, Small and Medium-sized

Enterprises states that agencies must plan on gradually awarding at least 35% of their procurement of goods, services and works to SMEs. An inter-ministry committee establishes an annual goal for each agency in accordance with their budget.

SMEs represent a higher share in terms of the number of public procurement contracts awarded than in terms of value (Table 5.2). The contract share figure also varies widely across countries and, in some countries, between years. In addition to that share, the number of bids submitted by SMEs also reflects their ease of access to public procurement markets and could offer real insight into SMEs' performance in winning contracts. However, the survey showed that assessing the number of bids received from SMEs is not a common practice.

Table 5.2. Share of contracts awarded to SMEs in some OECD countries, 2014-16

Country	2016		2015		2014	
	In number	In value	In number	In value	In number	In value
Australia	60%	26%	61%	24%	59%	28%
Estonia	87%	78%	75%	62%	".."	".."
Hungary	79%	37%	84%	51%	84%	41%
Korea	".."	76%	".."	74%	".."	72%
Slovenia	75%	58%	68%	55%	73%	56%
Lithuania	".."	".."	".."	".."	78%	".."

Note: In Australia, the data for years 2016, 2015 and 2014 are for financial years 2016-17, 2015-16 and 2014-15, respectively. In Estonia, the collection of information on the size of enterprises began during 2015, and therefore the data for the year 2015 are not complete; and there is a minor leftover of some data also from 2016 procurements. Data for Hungary in 2016 are only for the first half of 2016. *Source*: Based on country responses to the 2017 OECD Survey on strategic use of public procurement to support SMEs

Assessing the share of contracts awarded to SMEs may underestimate the level of their actual participation by leaving out those participating as subcontractors or in the supply chain. For instance, the United Kingdom had 27.1% of central government purchases from small businesses in 2014-15. This figure included SMEs in the supply chain, which represented 16.2% of that share.

The aggregate level of SMEs in the public procurement market does not give a complete picture of their ease in accessing that market. The SME population is typically composed of very diverse businesses, in terms of age, size, ownership, business models and entrepreneur profiles and aspirations. To reflect the heterogeneity of the SME population, countries must study SME participation in public procurement markets broken down by, for instance, market sector, SME type or size, owners' backgrounds (including gender aspects), firms' social characteristics, level of available technologies, skills and experiences, or the regions in which they operate.

As is acknowledged by Nicholas and Fruhmann (2014[2]), variable characteristics – including spend portfolios, priorities, cultures and stakeholder requirements – affect contracting authorities' procurement decisions (Caldwell et al., 2005[3]). Thus, measuring aggregated results may not allow a more micro-level understanding – for example, a grasp of the benefits that contracting authorities can achieve by purchasing from SMEs (Curran, 2000[4]). Collecting and analysing data at the contracting authority level could help to deepen this understanding.

5.2. The effectiveness of public procurement in achieving broader goals through supporting SMEs

Despite increasing recognition of the strategic use of public procurement for achieving broader objectives, the results of these efforts are not being fully assessed. In balancing the use of public procurement to pursue broader policy objectives against the primary objectives, the OECD Recommendation on Public Procurement highlights the importance of "employ(ing) appropriate impact assessment methodology to measure the effectiveness of procurement in achieving secondary policy objectives (OECD, 2015[1])."

In addition to opening up public procurement markets to give equal opportunities to suppliers, the countries' objectives in these policies and strategies extend to economic and societal development through increasing the competitiveness of SMEs, stimulating employment and job creation and boosting innovation (Figure 1.7). Where these types of policy objectives are presented in descriptive terms, it is difficult to effectively measure their achievement (Nicholas and Fruhmann, 2014[2]).

Gauging the effectiveness of such policies and measures involves assessing whether they achieve their objectives, in relation both to the benefits and costs of using public procurement to support SMEs, and to the effectiveness of procurement as a policy lever compared to other means.

Where changes are made to regulatory frameworks, countries can undertake impact assessments and many OECD countries do so with respect to their impact on SMEs. For instance, the legal framework in Austria requires an impact assessment for new legal provisions, and one of the dimensions covered by the assessment is the law's impact on SMEs. The Dutch experience (Box 5.2) following introduction of the Dutch Public Procurement Act of 2012 provides an example of such an assessment, where the public procurement system was evaluated in terms of SME access and participation.

Box 5.2. Evaluation of the effects of the Dutch Public Procurement Act

Following enactment of the Dutch Public Procurement Act of 2012, in 2014 the Netherlands Government evaluated its effect with regard to the ambitions formulated at its drafting, which included:

- enhancing access for companies – especially SMEs – to government contracts
- standardisation of the procurement practice
- creating room for innovation and sustainability
- decreasing administrative burdens
- increasing compliance with procurement rules.

The evaluation was divided into three parts: one study dealt with access, standardisation, innovation and sustainability, a second examined administrative burdens and a third focused on compliance.

The evaluation was based on a data study based on the Netherlands Government procurement platform TenderNed and, where necessary to complete the picture, from the private platform Aanbestedingskalender. To complement the data from these platforms, a survey was sent to a representative sample of contracting authorities, selected on the basis of European and national procurement procedures they had conducted in the relevant period. This process was employed for all three parts of the study.

Afterwards, additional data were collected for each particular study to arrive at a relevant data set for each study. As an example, for the study on SME participation, the following methods were used:

- Data derived from the above methods were checked against information registered at the Dutch Chamber of Commerce to supplement missing information.
- Contract values were checked, and where values were unrealistic (EUR 1 for instance), the contracts were left out of the analysis.
- Collected data were supplemented with data from the CBS (Dutch Central Bureau for Statistics).

All this data gathering produced the most thorough and complete picture of SME participation possible. Then it was a simple matter of counting the number of procurement procedures in which SMEs in fact participated compared to the total number of procurement procedures in the relevant period, so as to be able to evaluate their participation. Another aspect examined was the number of contracts actually awarded to SMEs. The study found that:

1. About two-thirds of government contracts procured in 2014 were awarded to SMEs. Within that group, most contracts went to SMEs with up to 100 employees.
3. In 2014, larger companies (not falling within the definition of a SME with < 250 employees) more often won larger, higher-value contracts than smaller companies (who did come within the definition of SME).
4. SMEs that participated in procurement procedures in 2014 were proportionally less likely to win than larger companies.

5. The percentage of SMEs awarded contracts has not or barely increased between 2012 and 2014.
6. Since 2006 there has only been a small, gradual increase in SME participation in procurement procedures.
7. The participation of SMEs in European procurement procedures for goods, services and works remained the same in 2014 as in 2012.
8. In national procurement procedures for works, SME participation decreased in 2014 from 2012. In services, there was an increase in the same period.
9. Participation of SMEs in European procurement procedures has increased for companies in special utilities (for which special procurement procedures apply) and with the central government.

For more detail, the evaluation (in Dutch) is available at: www.pianoo.nl/sites/default/files/documents/documents/effecten-van-aanbestedingswet-2012.pdf.

At the time this evaluation was published, the government expressed that SME participation and frequency of contract awards will be regularly monitored. The form of this regular monitoring and the methodology to be used are still under discussion.

Source: Country response to the OECD Survey 2017 on strategic use of public procurement to support SMEs.

While public procurement is subject to a growing number of objectives, the primary objective remains delivery of the goods and services necessary to accomplish the government's mission in a timely, economical and efficient manner (OECD, 2015[1]). In the context of SMEs' participation in public procurement, there are tensions between potentially competing objectives, for example between SME preference and both fair competition principles and the tendency towards contract consolidation. Especially in the case of the latter, while consolidating procurement needs within one large contract enables cost savings through economies of scale and lower administrative costs, it can also limit SME participation (Kidalov and Snider, 2011[5]).

Table 5.3 shows some of the methodologies adopted by countries when measuring the effectiveness of their policies and strategies.

Table 5.3. Methodologies used to measure the effectiveness of SME support policies

Country	Methodology
Australia	Annual survey of payment times by the Treasury
Canada	Regular surveys of SME suppliers
	Share of contracts awarded to SMEs by PSPC in terms of value with targets and Key Performance Indicators
Hungary	Regular annual statistics, including success rates of SMEs in public procurement carried out by the Public Procurement Authority
Sweden	Survey on contracting authorities' strategic use of public procurement, which is to be carried out by the National Agency for Public Procurement in 2016, then every 18 months

Source: 2017 OECD Survey on strategic use of public procurement to support SMEs.

The methodologies used by countries to assess their procurement system with regard to SME participation and performance reflect not only the different objectives of such policies, but also the institutional frameworks and the organisation of the public

procurement system in their respective countries. Relevant and consistent methodologies would greatly improve management of the public procurement function through objective monitoring and performance evaluation.

Canada provides an example of monitoring and evaluation of several aspects of the procurement system, such as the objectives of fairness, openness and transparency, the overall level of client and supplier satisfaction, and the timeliness of services (Box 5.3).

Box 5.3. Monitoring and evaluation of the public procurement system - Canada

The Office of the Auditor General of Canada and the Office of the Procurement Ombudsman periodically conduct performance audits and reviews of procurement by the government of Canada. The Office of the Procurement Ombudsman routinely conducts Procurement Practice Reviews in order to assess whether departmental practices support the objectives of fairness, openness, and transparency.

PSPC measures the cost of procurement services per CAD 100 of contract value awarded annually by the CPB on behalf of government departments; the overall level of client and supplier satisfaction; and the timeliness of services. It is also developing indicators to measure achievement of socio-economic objectives.

Source: Canada's response to the OECD Survey 2017 on strategic use of public procurement to support SMEs.

In addition to quantitative data, countries use survey data to understand users' opinions. When defining the methodology to measure the effectiveness of the public procurement system, countries could consider collecting the opinions of stakeholders, and then use that perception data to assess the functioning of public procurement processes. Engaging with stakeholders helps build a common understanding between the public and private sectors of the system and its challenges. For instance, countries have identified administrative simplification and implementation of e-procurement systems as key measures to facilitate SME access to public procurement opportunities.

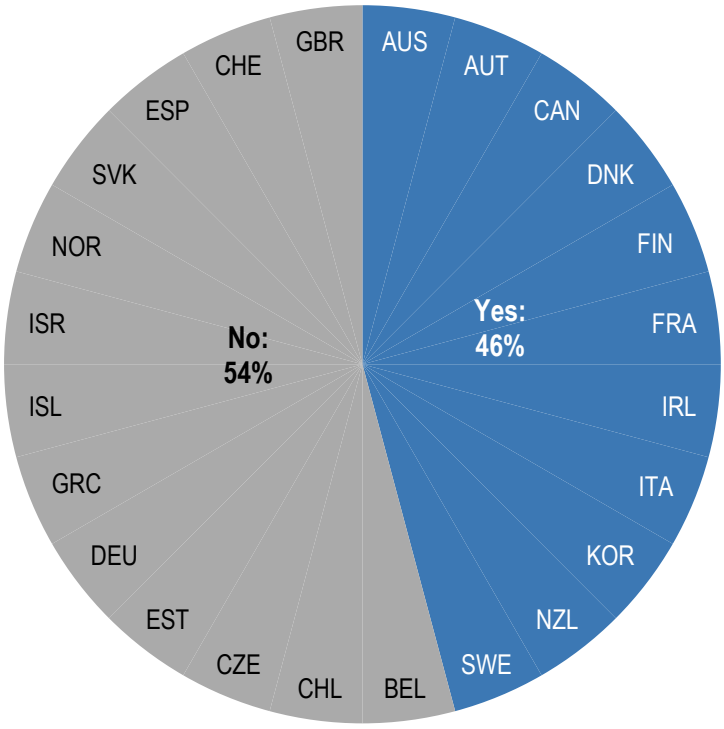
At the same time however, certain business associations have pointed to challenges SMEs have had in using e-procurement systems, namely a high administrative burden and lack of visibility on smaller-value contracts. Furthermore, while business associations agree that use of e-procurement solutions is one of the most valuable measures to help SMEs prepare bids for public contracts, no common understanding has been established as to whether it has improved SMEs' access to procurement markets. While differences in how countries design their e-procurement systems need to be acknowledged, engagement with users – including bidders, suppliers and contracting authorities – could help to better understand discrepancies between the expected and real impacts of measures.

5.3. Monitoring CPBs' performance on facilitating SME participation

As previously discussed, CPBs – as contracting authorities that are often established to centralise public procurement activities and aggregate purchasing power – have implemented measures to support SMEs in their public procurement activities. The institutional mission, settings, objectives and the scope of activities of CPBs differ from country to country. The measures they adopt and their respective assessments of results reflect these discrepancies.

Regardless of the specificities of each CPB, an essential part of their performance management involves measuring results. As previously discussed in Section 2.5, some CPBs define their institutional objectives around providing all economic operators, including SMEs, with a fair chance of participating in their public procurement opportunities. Yet, in less than half of OECD countries do CPBs carry out evaluations in order to assess the results of these SME-support **measures** (Figure 5.2).

Figure 5.2. Assessment of the results of measures to support SMEs in public procurement by CPBs

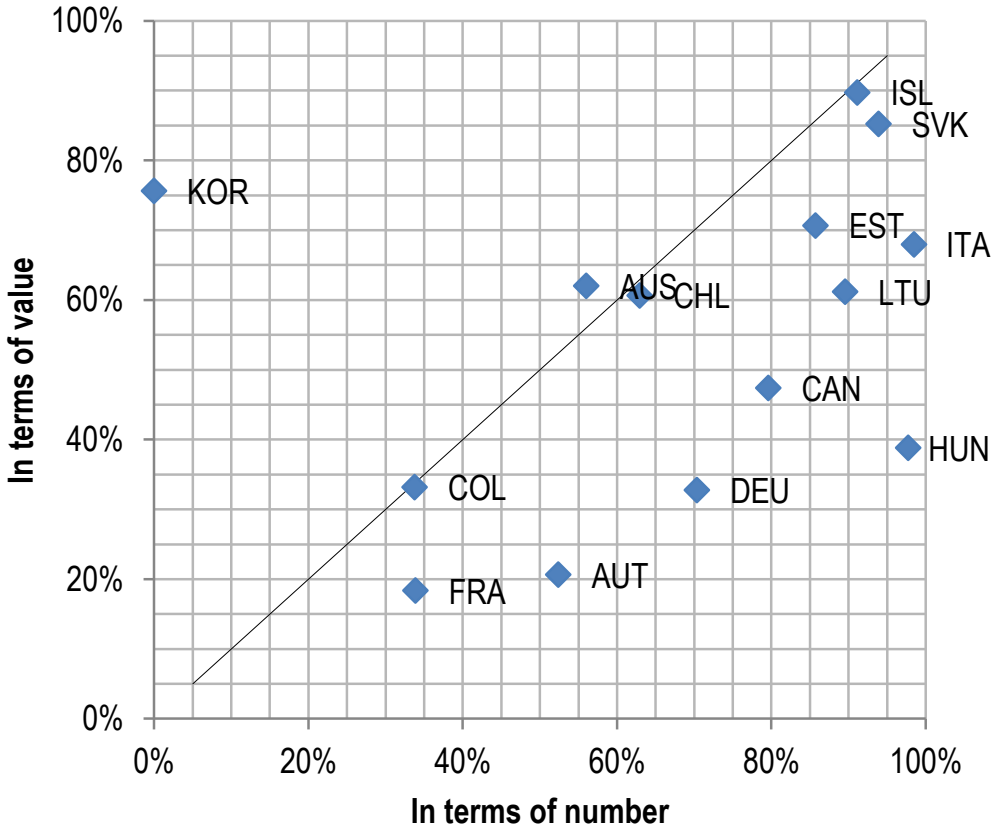


Note: Sweden carries out a supplier satisfaction survey to collect information on how to improve practices; the survey is given not only to SMEs but also to large suppliers.
Source: 2017 OECD Survey on strategic use of public procurement to support SMEs.

For CPBs as well, the share of contracts in terms of value and number that have been awarded to SMEs represents the most commonly used evaluation methodology. In Korea the Public Procurement Service (PPS), the country's CPB, makes these statistics available on a monthly basis, broken down according to procurement type (e.g. goods, services, works). CPBs in some countries, such as Sweden and New Zealand, use supplier satisfaction surveys in addition to that methodology.

CPBs indeed provide substantial procurement opportunities to SMEs, especially considering the significant share of the total number of contracts that have been awarded to SMEs (Figure 5.3).

Figure 5.3. Share of contracts in terms of number and value awarded to SMEs by CPBs (2016)

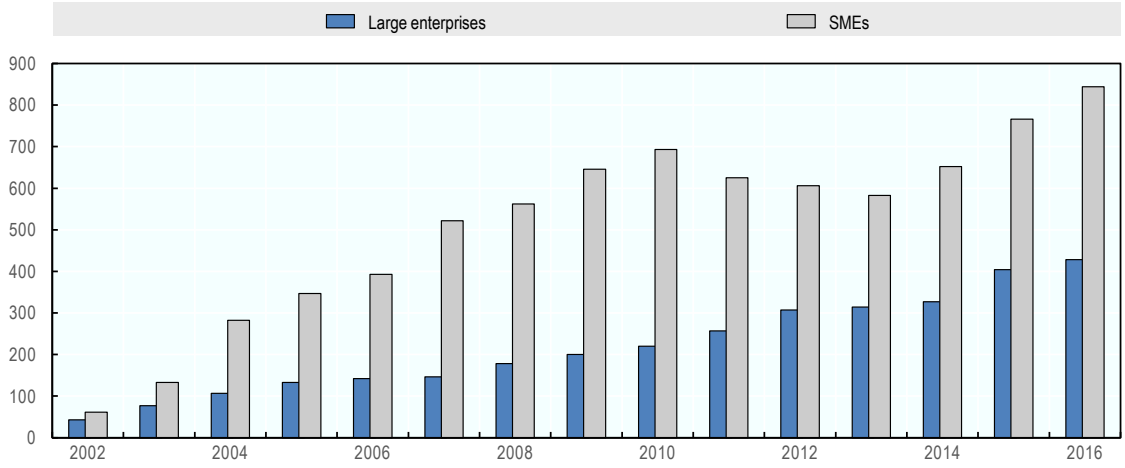


Note: Data for Korea is only partially available. The data for Australia refer to the contracts that had been awarded by the Department of Finance in 2015-16. The line the graph is an equality line. The horizontal or vertical distance between the line and each data point represents any discrepancy between the share of contracts awarded to SMEs in terms of number and that in terms of value.
Source: 2017 OECD Survey on strategic use of public procurement to support SMEs.

SMEs are generally awarded smaller-value contracts by CPBs as well – their share is greater in terms of number of contracts than value. While subject to the institutional objectives of aggregating the purchasing needs of contracting authorities to find better terms and conditions for government purchases, CPBs could also produce spill-over effects for the economy by increasing the participation of SMEs in their public procurement processes. In this sense, some CPBs monitor also the number of SMEs participating in their contracts, such as BBG in Austria (Figure 5.4).

Figure 5.4. Number of SMEs participating in public procurement - Austria

Biennial report on BBG activities (the number of enterprises participating)



Note: The number of small and medium-sized enterprises is constantly growing, also in part due to the SME strategy of the BBG, which can look forward to a share of 66 percent in small and medium-sized enterprises
Source:
www.bbg.gv.at/fileadmin/daten/Downloads/T%C3%A4tigkeitsbericht/Zahlen_Daten_Fakten_2017__v2_.pdf

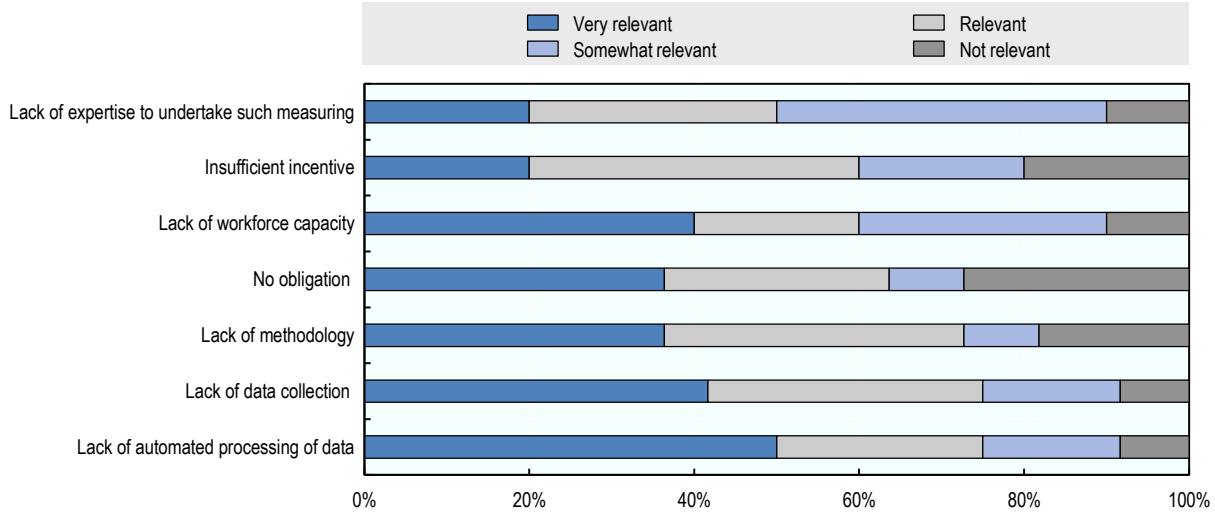
5.4. Current limitations to measuring the effectiveness of SME support policies

The limitations of current methodologies behind quantitative evaluations of SME support policies generally have been highlighted by governments and by academics. For instance, one study noted that quantitative methodologies do not adequately take into account net positive outcomes, deadweight and displacement (Curran, 2000[4]). SME support policies, being a horizontal policy area, are multi-dimensional, a fact that points to the need to take into account synergies and trade-offs among policies. It follows that robust evaluation of an SME support policy could not be done without considering its relative costs and benefits. Difficulties related to identifying matched control samples due to the heterogeneity of the SME population also add to the complexity of quantitatively evaluating policy effectiveness (Storey, 1999[6]). This suggests that sound design of SME support policies must rely on a thorough understanding of SMEs' role in the economy. However, "poor thinking and muddled conclusions, problems compounded by a plethora of issues relating to the availability and quality of relevant data" further adds to the complexity (Freeman, 2013[7]).

Governments also face challenges in measuring the effectiveness of SME-support policies in public procurement. Practical difficulties in collecting and processing data, as well as a lack of methodology, constitute some of the main constraints on measurement (Figure 5.5).

Figure 5.5. Main reasons for not measuring the effectiveness of SME support policies

Reasons why the results of strategies and policies to support SMEs through public procurement are not measured



Note: The survey respondents were asked to indicate how relevant each option is in their country – from 1 (not relevant) to 4 (very relevant).
Source: 2017 OECD survey on strategic use of public procurement to support SMEs.

The information collected by public procurement authorities may not be sufficient to carry out an evaluation of SME support policies. For instance, the status of bidders may not be collected during the procurement process for reasons of fairness, making it impossible to know which of them were SMEs. Quantitative evaluation of policies could thus require inter-institutional co-ordination or integration of e-government systems. In Israel, for instance, measurement of SME participation in public procurement is carried out in collaboration with the Ministry of Economy and with the Taxes Authority. This enables the governmental expenditure report to be classified by suppliers' size, according to the definition of the Ministry of Economy. Israel moreover is currently working on creating technological solutions in order to facilitate further data gathering.

5.4.1. Defining an evaluation framework for SMEs' participation and performance in public procurement

Implementation of e-procurement systems has facilitated the collection of data and information that make performance evaluation and management possible. However, many governments still face difficulties in collecting the right data to establish performance indicators for the public procurement system. Achieving that would typically require additional functionalities to be embedded into existing e-procurement systems, as well as integration of systems or exchange of data with other e-government technologies. Indeed, the development of comprehensive electronic infrastructure for information exchange among public sector agencies, individuals and businesses is enabling public administration to offer better quality services, as well as to better adapt public sector operations to end-users' needs and preferences.

When they are defined, performance indicators on SME participation and performance in public procurement, they should be in line with the objectives of the system. Accordingly,

prior to addressing technical difficulties, governments first should define the areas in which performance assessments will be carried out. In light of this, the following indicators could be considered, disaggregated by aforementioned SME characteristics where possible, as part of the performance assessment framework for measuring different objectives:

1. *Number of SMEs registered within the supplier registry* – First of all, the groups of SMEs that are concerned by public procurement markets need to be identified. This is because, as previous discussed, activities of certain SMEs do not match the public procurement needs. Once this SME population is identified, this population could be compared with the number of SMEs registered in public procurement system. Relatively low representation of SMEs in the public procurement supplier registry, compared to that of large enterprises, could imply that SMEs' perceive public procurement to be an unattractive business opportunity, or reflect the burdensome registration process.
2. *Share of bids received from SMEs* – This indicator relates more directly to SMEs' participation in public procurement market opportunities. It encompasses implications such as whether the tender opportunities were clearly and promptly communicated to potential suppliers, or whether the design of the tender itself unnecessarily discouraged participation of potential suppliers.
3. *Share of contracts awarded to SMEs, in terms of both number and value* – This most widely used indicator measures SMEs' success in tender processes. In particular, the value indicator can also be interpreted as the share of public procurement spending going to SMEs. For this purpose, it would be especially relevant to take into account the SMEs that participate in supply chains. Monitoring these indicators over time, together with indicators 1 and 2, could also shed light on SMEs' relative competitiveness in public procurement markets, which may affected by SMEs' economic performance in general or by changes to the public procurement system.
4. *SMEs' compliance with the terms of contracts (e.g. delivery deadlines)* – This indicator could be of particular relevance in the cases where certain SME enablement programmes are thought to directly increase SMEs' chances of winning, and thus are believed to incur efficiency costs. The most direct way of comparison in this case would be that of the prices submitted in bids. When that direct comparison is not possible – and even when it is possible – SMEs' performance at the post-tendering stage could also be monitored. This indicator could furthermore demonstrate whether SMEs are indeed more responsive in cases where there are changes in contracting authorities' needs.

These indicators could be considered at different levels – at the procurement process level, the level of a contracting authority, and the aggregated government level – as well as in relation to types of goods, services and works. These indicators should also be monitored in connection with other indicators of the public procurement system in general, as well as the general economic and market conditions for SMEs. Robust empirical experiments face numerous limitations, such as the absence of comparable samples, as well as difficulties related to the endogeneity of indicators. Nonetheless, continuous monitoring of these indicators, together with qualitative assessment through interviews and stakeholder engagement exercises, would help governments better understand SMEs' challenges, and shape policies and measures towards a more efficient and effective public procurement system.

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Part II. Country profiles

6. Australia

6.1. SMEs in the national economy

An SME is defined as a business with fewer than 200 employees that operates independently of any parent organisation for taxation arrangements. A small business is defined as a business with fewer than 20 employees.

Table 6.1. Distribution of firms in Australia, 2014-15

(By firm size, percentage of all firms)

Firm size (employees)	Number	%
All firms	2 121 235	100
SME (0-199)	**2 117 518**	**99.8**
Non-employing (0)	1 284 615	60.6
Micro (1-4)	584 744	27.6
Small (5-19)	197 164	9.3
Medium (20-199)	50 995	2.4
Large (200+)	**3 717**	**0.2**

Note: Data exclude financial, insurance and public sector enterprises.
Source: (OECD, 2017[1]).

6.2. National policy framework to support SMEs in public procurement

Australia supports SMEs in public procurement through several provisions embedded in its national policy framework. These provisions – put in place by the finance minister, who is responsible for the public procurement framework, together with the Department of Finance that supports the minister in co-ordinating policies from a whole of government perspective – have the objectives of facilitating SME access to public contracts, ensuring a level playing field for all economic operators, and accessing a better range of solutions and a diversity of goods and services.

- The Commonwealth Procurement Rules (CPRs) provide that officials should apply procurement practices that do not unfairly discriminate against SMEs but provide appropriate opportunities for them to compete. The CPRs also include the Australian Government's commitment to sourcing at least 10% of procurement by value from SMEs.
- The Australian Government's payment policies provide that payments cards (e.g. credit cards) are the preferred method to pay suppliers for amounts valued below AUD 10 000, and require a maximum payment term of 30 days for contracts valued up to AUD 1 million.
- The Commonwealth Contracting Suite (CCS) provides standardised procurement documentation for procurements under AUD 200 000. The CCS can also be used for low-risk contracts valued up to AUD 1 million.

- As part of the Commonwealth's broader policies to support indigenous businesses, the CPRs allow entities to procure directly from SMEs with at least 50% indigenous ownership, so long as value for money is achieved.

6.3. Implementation mechanisms

Several guidance materials have been prepared by the Department of Finance to support implementation of the policies to promote SMEs in public procurement. They are actively communicated to different stakeholders including procuring entities and suppliers through diverse means – including the Department's website, newsletter and public blog. Furthermore, training for public procurement officials focuses on engagement with suppliers, including applying the appropriate procurement practice that does not unfairly discriminate against SMEs. Apart from training public procurement officials, the Australian Government participates in relevant trade shows and hosts supplier events, as appropriate, to develop the capabilities of suppliers.

Furthermore, the Australian Industry Participation (AIP) National Framework, applicable to large Commonwealth tenders (of AUD 20 million or more), requires successful tenderers or panellists to prepare and implement AIP Plans. An AIP Plan is a document that outlines an organisation's actions to provide Australian industry with full, fair and reasonable opportunity to participate in the organisation's project. An AIP Plan promotes the benefits of looking at Australian SMEs as potential suppliers rather than solely relying on established supply chains when buying goods and services for the project.

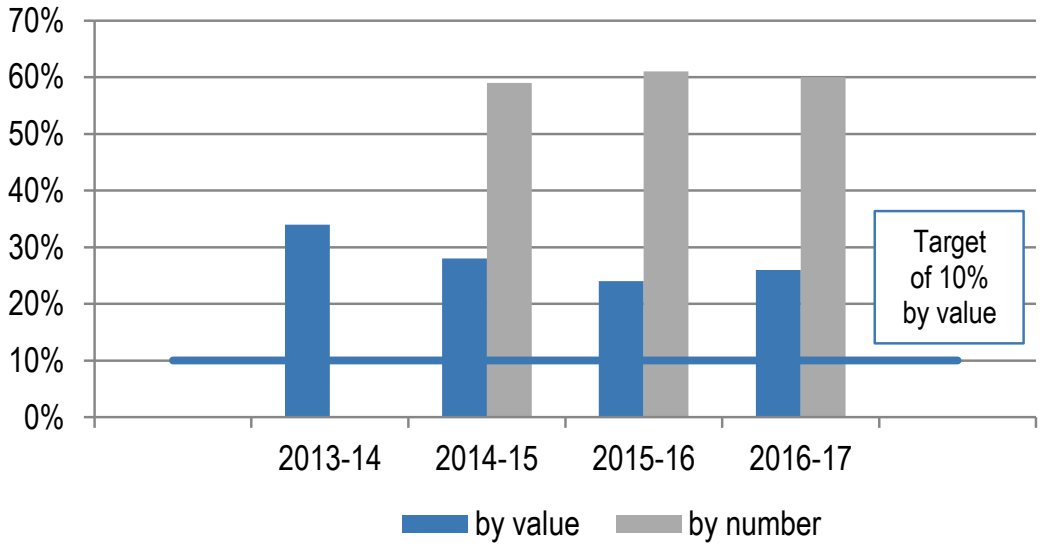
6.4. Monitoring performance

The Department of Finance analyses Australia Government contract data and identifies SME suppliers. As a part of Australian Government's commitment towards demonstrating transparency in and accountability of Commonwealth procurement, entities subject to the Public Governance Performance and Accountability Act 2013 report their procurement contracts on AusTender. The Department of Finance publishes procurement statistics data every year based on the information from AusTender. Thus, the statistical data reflect contractual information in accordance with entities' procurement publishing obligations.

In fiscal year 2015-16, SMEs were awarded 24% of contracts by value and 61% by number. The share of contracts awarded to SMEs in terms of value was 28% in 2014-15 and 34% in 2013-14. In 2015-16, SMEs also made up 89% of individual businesses that were awarded contracts (Australian Government Department of Finance, n.d.[2]).

Figure 6.1. Procurement contracts awarded to SMEs in Australia between fiscal years 2013-14 and 2016-17

As a share of total procurement contracts on AusTender



Source: Country response to the 2017 OECD survey on strategic use of public procurement to support SMEs

The treasury undertakes an annual survey of payment times. In 2015-16, the surveyed government entities were paying, on average, 97% of contracts (valued under AUD 1 million) on time.

References

Australian Government Department of Finance (n.d.), *Statistics on Australian Government Procurement Contracts*, https://www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/. [2]

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

7. Austria

7.1. SMEs in the national economy

According to the EU SME definition, which became effective as of 1 January 2005, the micro, small and medium-sized enterprises refer to enterprises that employ fewer than 250 persons and have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.

In Austria, 99.7% of all firms in 2014 were SMEs, employing approximately 68% of the labour force (Table 7.1).

Table 7.1. Distribution of firms in Austria, 2014

(By firm size, percentages of all firms).

Firm size (employees)		Number of firms	%	Annual average number of employees	%
All firms		**327 993**	**100**	**2 841 426**	**100**
SMEs (0-249)		**326 864**	**99.7**	**1 923 361**	**67.7**
Micro	(0-9)	286 168	87.2	708 189	24.9
Small	(10-19)	23 004	7	306 688	10.8
	(20-49)	12 237	3.7	363 940	12.8
Medium	(50-249)	5 455	1.7	544 544	19.2
Large (250+)		**1 129**	**0.3**	**918 065**	**32.3**

Note: Data include all market activities in Sections B-N as well as S-95 of ONACE 2008. Data include non-employer firms.
Source: (OECD, 2017[1]).

7.2. National policy framework to support SMEs in public procurement

Austrian law defines that SMEs should be included in procurement procedures wherever possible, as provided in Section 102, para 2; Section 151, para 1; and Section 250, para 2 of the Federal Law on Public Procurement 2006. Furthermore, a central strategy to support SMEs is provided for in Section 2, para 1a of the act concerning the establishment of the BBG, the central purchasing body of Austria. According to this provision, the invitation to tender should be designed in such a way as to give SMEs a realistic opportunity to participate (where feasible). BBG developed and implemented a tailored strategy for improving access to and participation in public procurement opportunities for SMEs.

In addition, supporting SMEs are included in the strategies and policies that support green public procurement and public procurement for innovation – including the Austrian Action Plan on Sustainable Public Procurement and the Austrian Action Plan on Public Procurement Promoting Innovation.

Apart from the provisions defined within the federal legal framework, most of the major contracting authorities have an SME strategy to access a better range of solutions and a wider diversity of goods and services.

7.3. Implementation mechanisms

SME-friendly measures have been introduced into standardised public procurement procedures, which are constantly reviewed and updated. For example, a checklist regarding SME-friendly procedures was introduced into the planning and preparation of public procurement tenders in product groups particularly relevant to SMEs (especially in relation to products under NUTS-3). For each tender, BBG examines SME suitability as a sub-process of the tendering process. Within the checklist, in addition to examining for possibility of dividing into regional and/or technical lots, the internal procurement strategy review also includes the following aspects concerning SMEs:

- *Examination of the procurement groups* ("reversal of the burden of proof" in SME-relevant procurement groups) – A call for tender has to be justified and documented if it cannot be adapted to the needs of SMEs.
- *The local supply test* – Is there an effect expected on the local supply?
- *The demand test* – Who are the customers? Where are their offices or places of delivery? How does the customer organise the order process (decentralised/centralised)?
- *The bidder's test* – Which companies are potential bidders (manufacturer/distributors)? How strong is the competition in the market? How is the value chain structured? What is the bidding structure from an SME perspective?
- *The cost-effectiveness test* – What is the size of the tender volume per lot? What additional effort is required to implement the regional lots? Which effects are expected concerning the price?

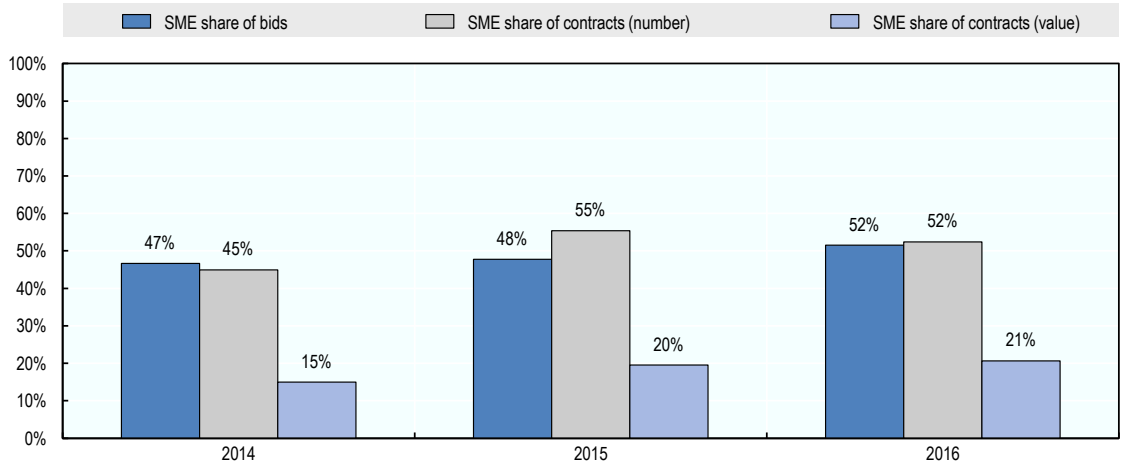
Furthermore, training on dividing procurement into lots is provided to contracting authorities by the Economic Chambers, as well as training in, e.g., how to specify and determine qualification and award criteria. Training is also provided for economic operators by the Economic Chambers on how to participate in tender procedures. In order to provide further support to SMEs, the Economic Chambers furnish online information tools , especially on public procurement promoting innovation through establishment of an electronic portal; similar tools are also provided by the BBG (www.bbg.gv.at/fileadmin/daten/Downloads/Informationsfolder/KMU-Folder_Web.pdf).

7.4. Monitoring performance

As part of its SME-strategy, BBG publishes the number of SMEs participating in its public procurement activities in its annual report (see Figure 5.4).

Additionally, as part of its annual internal reporting obligation to the owner, BBG assesses the performance of SME support measures through the indicators on supplier structure, share of contracts awarded to SMEs in terms of number, SME demand volume, etc. The figure below presents statistics on SME participation in BBG public procurement processes between 2014 and 2016.

Figure 7.1. SME participation share in BBG public procurement processes



Source: Country response to the 2017 OECD survey on strategic use of public procurement to support SMEs.

Furthermore, the legal framework in Austria requires an impact assessment for new legal provisions, one dimension of which is the impact on SMEs. Therefore, the draft legal provisions must be assessed to ascertain whether they are fit for purpose and will deliver the intended effects.

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

8. Belgium

8.1. SMEs in the national economy

Table 8.1. Distribution of firms in Belgium, 2015

(By firm size, percentage of all firms)

Firm size (employees)	Number	%
All firms	560 659	100
SMEs (1-249)	559 842	99.85
Micro (1-9)	528 524	94.27
Small (10-49)	27 294	4.87
Medium (50-249)	4 024	0.72
Large (250+)	817	0.14

Note: Data include financial enterprises with the exception of holding companies (ISIC Rev.4 sector 642).
Source: (OECD, 2017[1]).

8.2. National policy framework to support SMEs in public procurement

The national objective on sustainable development in Belgium identifies public procurement as one of the policy areas to support SMEs. To that end, a guide has been developed as part of overall public procurement policy. The guide aims at helping contracting authorities take into account criteria for sustainable development to the extent possible. One of its principal goals is "Improving the quality of economic growth, the competitiveness of companies and the conditions for competition through the creation of a level playing field that allows enough companies, including SMEs, to participate in public procurement".

8.3. Implementation mechanisms

Guidelines are created under the authority of a working group comprising representatives of different institutions of different regions that are concerned with implementation.

Public procurement for innovation is one of the major policy areas largely directed at SMEs, and from which SMEs greatly benefit in Belgium. In order to further encourage innovation for contracts below the publishing threshold, the working group is analysing possibilities for attracting very small firms and start-ups more easily. The initial targets are procurements in the IT sector below the national publication threshold and for which an innovative solution is needed.

Use of e-procurement solutions is encouraged as well, in order to promote SME participation. The federal service administering the e-procurement platform provides information sessions and helpdesk service free of charge, and has organised "road trips" in co-operation with professional federations in order to promote the facility. The service also accredits training institutions that can offer companies training in e-procurement.

8.4. Monitoring performance

The effectiveness of support to SMEs through public procurement is not monitored at the central level. Currently, there is no central contract registration or management system that keeps track of all awarded contracts. Nor is there mandatory notice of contracts awarded below the European threshold, or records of the link between the number of enterprise tenders and their SME status.

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

9. Canada

9.1. SMEs in the national economy

Table 9.1. Firm distribution in Canada, 2015

(By firm size, percentage of all employer firms)

Firm size (employees)	Number of firms	% of employer firms
1-4	706 176	56.3
5-9	234 233	18.7
10-19	150 982	12
20-49	104 995	8.4
50-99	33 868	2.7
100-199	14 492	1.2
200-499	7 214	0.6
500 +	2 977	0.2
Total	1 254 937	100

Note: Public and private firms are included and non-employer firms are excluded.
Source: (OECD, 2017[1]).

9.1.1. National policy framework to support SMEs in public procurement

Canada does not maintain any preferential policies or programmes for SMEs with regard to trade-covered procurement, including the Agreement on Government Procurement. Where trade agreements provide appropriate exceptions, Canada supports SMEs through a palette of existing policies and activities. These mainly aim at facilitating SME access to government procurement opportunities and reducing barriers they face in attempting to become suppliers to the government. In developing procurement policies to support them, SMEs and their associations were consulted through ministerial roundtables with industry associations and regular surveys.

Some of the government-wide initiatives in this regard include the following:

- The Treasury Board Contracting Policy states that contracting shall be conducted in a manner that supports national objectives.
- The Treasury Board Procurement Review Policy allows transactions over CAD 2 million to be used for socio-economic purposes.
- The Build in Canada Innovation Program provides procurement opportunities for SMEs with innovations ready for testing or commercialisation, by making the Government of Canada their first client.
- Procurement Strategy for Aboriginal Business is designed to increase aboriginal participation in supplying government procurement requirements through a programme of mandatory and selective set-asides and supplier development activities. The vast majority of Aboriginal businesses are small businesses.

- Many of the Comprehensive Land Claims Agreements include provisions for contracting in land claim areas, e.g. permitting bids for a specified portion of a larger contract package to allow small and more specialised Aboriginal firms to bid.
- The Industrial and Technological Benefit Policy states that bidders can offer SME commitments as part of their value proposition when bidding on eligible defence projects.

There also exist department-specific initiatives, including the following:

- Public Service and Procurement Canada (PSPC), the federal government's primary central purchasing body, houses the Office of Small and Medium-Sized Enterprises (OSME). The Office was created in 2006 to identify and reduce access barriers and to educate and engage SMEs in doing business with government. With the objective of advocating on behalf of SMEs with a view to encouraging their participation in federal government procurement, it:
  - implemented an outreach plan to SMEs with measurable targets
  - offers SMEs seminars in how to do business with government, in both official languages
  - established and operates a single point of information for doing business with the government through the www.buyandsell.gc.ca website
  - established and operates a procurement InfoLine for SMEs
  - established outreach partnerships with business associations and supporting organisations
  - established the national and regional Supplier Advisory Committees
  - established the Build in Canada Innovation Program

- The Policy on Considering Benefits for Canadians in Government Procurement has the purpose of providing guidance on how to consider the Canadian Government's objective of maximising benefits for Canadians in its procurement activities with integrity, in a fair, open and transparent manner and in compliance with the country's international obligations, legislation, regulations and policies. This policy applies to all procurements undertaken by the Acquisition Program of Public Works and Government Services Canada on behalf of departments and agencies.

9.1.2. Implementation mechanisms

There are one national and six regional Supplier Advisory Committees in which different industry associations associate, including several SMEs and the federal Department of Public Services and Procurement Canada. Through these committees, as well as ministerial roundtables with industry associations and regular surveys of SMEs, Canada consults and engages with SMEs in developing its SME support policies and programmes.

PSPC Acquisitions Program has in place the Guideline on Ensuring the Participation of Small and Medium Enterprises in Government Procurement for the public procurement activities of PSPC. It also provides guidance to departments on low-dollar value procurement, responsibility for which has been delegated to each department and agency since 2008.

Canada moreover actively communicates SME support measures to the stakeholders and provides SMEs with detailed information through different channels. In addition to making

the information available on the website www.buyandsell.gc.ca, the OSME presents at events and provides seminars and webinars across the country for SMEs, on topics such as:

- doing business with the government of Canada
- obtaining security clearance
- how specific procurement instruments (e.g. professional services) work.

A catalogue of offerings and registration are available on line. Additionally, a PSPC Infoline is available through telephone, the web and email.

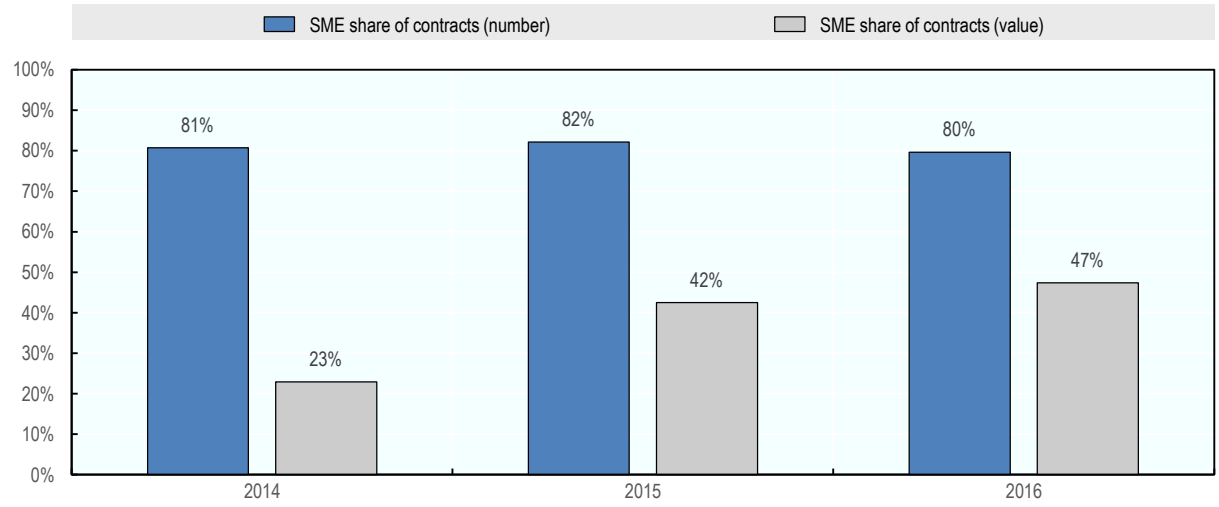
The OSME and Indigenous and Northern Affairs Canada (INAC), the lead federal department for the promotion of Aboriginal businesses in Canada, have a Memorandum of Understanding (MOU) in place to co-ordinate delivery of educational materials and presentations regarding their respective programmes, to both Aboriginal and non-Aboriginal businesses as well as federal departments and agencies. The MOU establishes how OSME and INAC will work together to develop policy and programmes that advance the involvement of Aboriginal businesses in the federal procurement process and in the private sector.

9.1.3. Monitoring performance

The SME status of suppliers is identified through e-validation with the database of the tax authority when a company registers for a Procurement Business Number (PBN) to be registered in the Supplier Registration Index database at PSPC. Companies must state the number of their employees to register for a PBN. Companies with less than 500 employees are then tagged as SMEs in the system.

While there is no government-wide assessment of the effectiveness of using public procurement to support SMEs, some evaluation does exist – such as regular survey of SME suppliers and key performance indicators (KPIs**)** on participation of SMEs in PSPC public procurement processes. Additionally, Canada has a target of 40% for contracts awarded to SMEs by PSPC, calculated by the value of contracts awarded by the PSPC Acquisitions Branch to SMEs in Canada.

Figure 9.1. SME share of PSPC-awarded contracts



Note: Based on AIS (Acquisition Information Service) for PSPC managed procurements and using standard document exclusions to avoid duplication of data. The above data only include contracts awarded to Canadian companies (i.e. located in Canada) as the business sizes for foreign companies are not available. The business volumes also include amendments.
Source: Country response to the 2017 OECD survey on strategic use of public procurement to support SMEs.

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

10. Chile

10.1. SMEs in the national economy

The generally accepted definition of SMEs in Chile is based on the annual turnover criterion set forth by Law 20 416[1] that establishes special rules for SMEs. The number of employees is not taken into account in the definition.

In Chile, SMEs account for the majority of the total number of enterprises. In 2014, 98.5% of firms were classified as SMEs, including employer and non-employer firms in all industries. Micro-enterprises made up 75% of the total number of firms, whereas small and medium-sized businesses accounted for 20.7% and 3.1%, respectively. Although SMEs represent almost all of the enterprises, they only account for about 16% of the total amount of annual sales. According to the statistics of the Internal Revenue Service (Servicio de Impuestos Internos, SII) SMEs accounted for 45% of the payroll of Chilean firms in the commercial year 2014.

Table 10.1. **Firm distribution in Chile, 2014**

(By firm size, gauged by Unidad de Fomento (see Note); percentage of all firms)

Firm size (annual turnover)	Number	%
All enterprises	**867 863**	**100**
SMEs (up to UF 100 000)	**854 539**	**98.46**
Micro (up to UF 2 400)	647 766	74.64
Small (UF 2 400 to UF 25 000)	179 881	20.73
Medium (UF 25 000 to UF 100 000)	26 892	3.1
Large (UF 100 000+)	13 324	1.54

Note: Data include employer and non-employer enterprises in all industries; UF (Unidad de Fomento) is an indexed unit of account incorporating monthly adjustments based on increases in the general level of prices. The UF of 31 July 2016 stood at CLP 26 141. SMEs in Chile are firms with annual sales of up to UF 100 000.
Source: (OECD, 2017[1]).

10.2. National policy framework to support SMEs in public procurement

Inclusion of SMEs in public procurement is defined as an objective of the Chilean public procurement system. It is in line with the main principles of the system – including equal participation and the use of public procurement to pursue secondary policy objectives.

Contracting to an SME can be one of the reasons to authorise direct contracting, which could be used when the amount of contracting is under a certain threshold (approximately USD 700) under mandatory justification. Equal opportunities for suppliers of all sizes are further ensured through wide use of e-procurement systems.

Additionally, regulatory change in 2015 introduced the concept of the temporary supplier union – an association of natural and/or legal persons – in order to allow small suppliers to submit an offer in the case of tenders, or to sign a contract in case of direct awarding.

10.3. Implementation mechanisms

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 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.

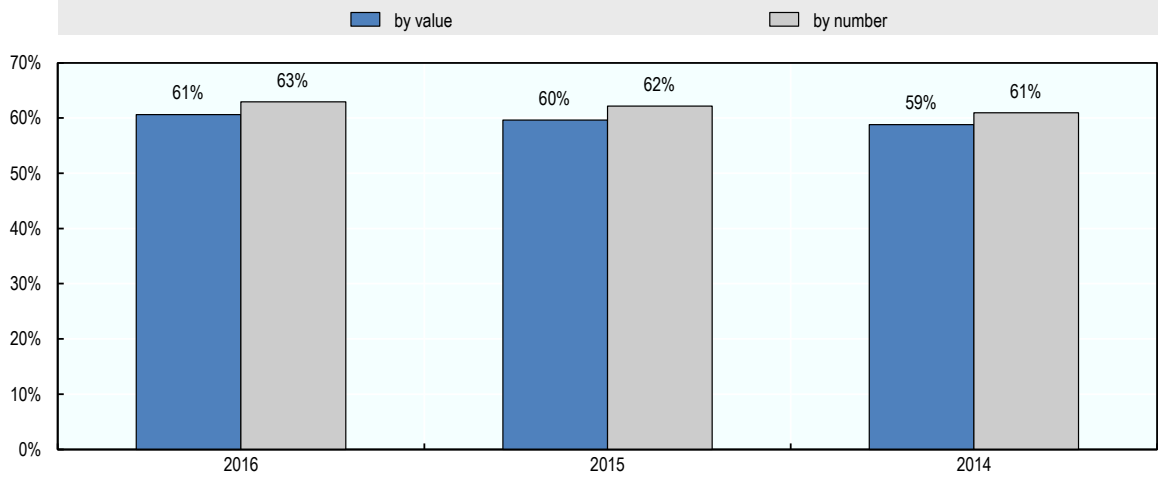
Guidelines and recommendations are provided to procuring entities to improve their performance to improve SME access. On the website of ChileCompra, guidelines on specific topics are also published. Furthermore, training activities are organised on line and through classroom activities for both public procurement officials and suppliers; these are co-ordinated with regional offices.

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.

10.4. Monitoring performance

The SME support policy in Chile does not set a target on indicators. However, monitoring of SME participation in public procurement market is carried out through the institutional data warehouse of ChileCompra.

Figure 10.1. SME share in the public procurement market in Chile, 2014-16



Source: Country response to the 2017 OECD survey on strategic use of public procurement to support SMEs.

Note

[1] Law 20 416 establishes the definition of SMEs according to annual turnover as general rule and the payroll criterion for labour legislation.

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

11. Czech Republic

11.1. SMEs in the national economy

SMEs in the Czech Republic, representing 99.8% of all businesses, play an important role in the "non-financial business economy". They contribute to more than two-thirds of total employment and more than half of the value added.

Table 11.1. Basic figures of the non-financial business economy of the Czech Republic, 2015

	Number of enterprises		Number of persons employed		Value added	
	Number	Share	Number	Share	(in billion EUR)	Share
Total	994 108	100.0%	3 544 125	100.0%	88.9	100.0%
SMEs	992 618	99.8%	2 416 661	68.2%	48.8	54.9%
Micro	955 046	96.1%	1 123 258	31.7%	17.9	20.1%
Small	31 140	3.1%	625 065	17.6%	12.7	14.3%
Medium-sized	6 430	0.6%	668 338	18.9%	18.2	20.5%
Large	1 492	0.2%	1 127 464	31.8%	40.1	45.1%

Note: These are estimates for 2015 produced by DIW Econ, based on 2008-13 figures from the Structural Business Statistics Database (Eurostat). The non-financial business economy includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry or fisheries, or the largely non-market service sectors such as education and health. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.
Source: (European Commission, 2017[1]).

11.2. National policy framework to support SMEs in public procurement

The Ministry of Finance acts as a central purchasing body, pursuant to Government Resolutions Nos. 923/2014, 289/2015 and 24/2016. The Ministry has started promoting use of the dynamic purchasing system (DPS) in order to promote SME participation in public procurement. The DPS is established for passenger cars, printers, various office supplies, telecommunications services, office machines and their accessories, and personal computers. The tenders are divided into lots where possible.

Reference

European Commission (2017), *SBA Fact Sheets 2016*, http://ec.europa.eu/DocsRoom/documents/22382. [1]

12. Denmark

12.1. SMEs in the national economy

SMEs in Denmark represents 99.7% of all businesses in the "non-financial business economy". They contribute to approximately two-thirds of total employment and of the value added.

Table 12.1. Basic figures of the non-financial business economy of Denmark, 2015

	Number of enterprises		Number of persons employed		Value added	
	Number	Share	Number	Share	(in billion EUR)	Share
Total	217 909	100.0%	1 653 147	100.0%	130.1	100.0%
SMEs	217 256	99.7%	1 081 118	65.4%	79.2	60.9%
Micro	194 031	89.0%	349 111	21.1%	27.9	21.4%
Small	19 595	9.0%	382 204	23.1%	26.8	20.6%
Medium-sized	3 630	1.7%	349 803	21.2%.	24.5	18.9%
Large	653	0.3%	572 029	34.6%	50.9	39.1%

Note: These are estimates for 2015 produced by DIW Econ, based on 2008-13 figures from the Structural Business Statistics Database (Eurostat). The non-financial business economy includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry or fisheries, or the largely non-market service sectors such as education and health. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.
Source: (European Commission, 2017[1]).

12.2. National policy framework to support SMEs in public procurement

The Strategy for Intelligent Public Procurement (2013) and the new Public Procurement Act of 2016 establish the objective of supporting SMEs in that process. In particular, the latter implements the EU directive on public procurement (EU Directive 2014/24) into Danish law and includes policies to make public procurement more accessible to SMEs. While the public procurement policies focus on facilitating SMEs' access to doing business with governments, some business policies provide SME-specific support. Some of the initiatives that target SMEs include the following:

- "Growth houses" – five regional foundations – were established in 2007 to advise entrepreneurs and small businesses on how to expand and grow.
- The Market Development Fund works to promote methods of innovative public demand in order to spur job creation and growth in Danish companies.
- The Innovation Foundation was established in 2014 and provides grants to SMEs to conduct innovative projects.
- The Business Partnership for Advanced Production was established in 2016 to provide grants to SMEs to support automation and digitalisation of production.

The measures that Denmark has implemented do not solely target SMEs but are meant to facilitate access to public procurement activities for all suppliers. Some of the measures include lenient demands for documentation in using the European Single Procurement Document; use of e-procurement systems – in particular, mandatory e-tendering from 2018, and the use of e-catalogues for e-purchasing in many framework agreements; and proportionate qualification criteria. Furthermore, the obligation to advertise has been removed for smaller-value purchases – under approximately DKK 5 million for the state-level contracting authorities and DKK 1.5 million for the municipal- and regional-level contracting authorities – and these purchases must be made on market terms.

In Denmark, there are two main central purchasing bodies (CPBs) that manage framework agreements. A unit in the Agency for Modernisation under the Ministry of Finance manages the central procurement programme: it awards and manages framework agreements that are mandatory for contracting authorities at the central level, but accessible on a voluntary basis to entities at the regional and municipal level. The National Procurement Ltd. Denmark (SKI) awards and manages framework agreements that are used by entities at central, regional and municipal level. The two CPBs always conduct a market analysis before initialising a new tender. A key area of this exercise consists of studying the market characteristics and identifying supplier distribution, especially in terms of their sizes, in the market. Thus, via market analysis, CPBs consider SMEs and their positions in the markets when designing the tender process. Furthermore, CPBs always engage in dialogue with business organisations and representatives of the suppliers.

12.3. Implementation mechanisms

The Danish Competition and Consumer Authority provides informational videos and online guides on its website (bedreudbud.dk) for contracting authorities on the procurement process and how to make it more flexible and innovative. Following enactment of Public Procurement Act of 2016, training sessions have been organised for government employees on its implementation. Information and guidelines are also provided to suppliers through the websites udbud.dk and bedreudbud.dk, run by the Danish Competition and Consumer Authority.

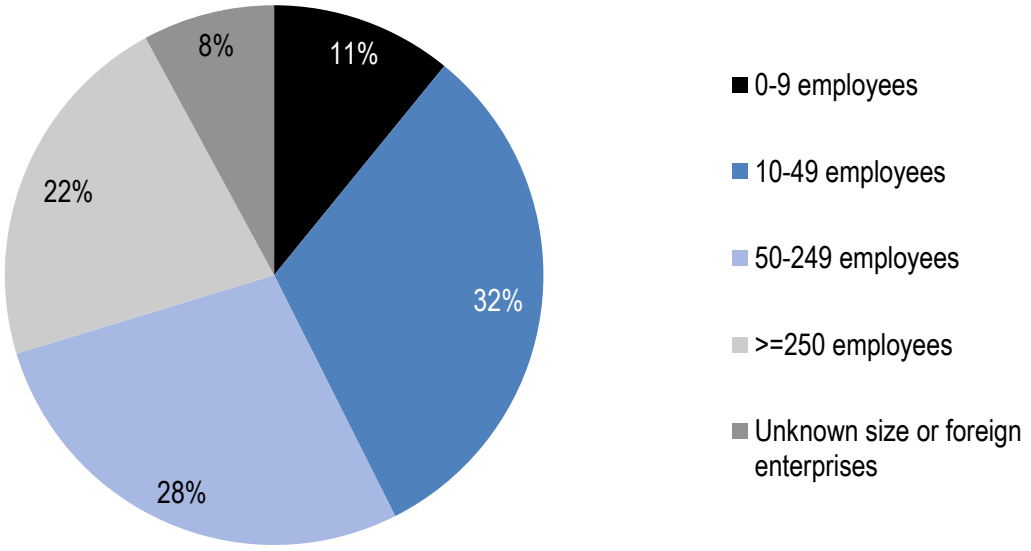
Stakeholder consultation is a common practice in Denmark for political strategies and legislative activities, including those to support SME access to the public procurement market. The Danish Competition and Consumer Authority consults stakeholders in the issuance of guidelines, and annually assesses the state of competition in public tenders and SMEs' participation. The following are specific examples of stakeholder engagement. In 2013, a Council for Public-Private Cooperation was formed of different stakeholders to gather knowledge on barriers to public-private co-operation infrastructure projects. Additionally, stakeholders and business associations were consulted in the development of the Public Procurement Act of 2016.

12.4. Monitoring performance

The overall number of SMEs participating in SKI framework agreements is monitored and made public in SKI annual reports. In 2016, 74% of the economic operators participating in SKI framework agreements were SMEs (Figure 12.1).

Figure 12.1. Characteristics of suppliers to SKI's framework agreements, 2017

Characteristics of economic operators in terms of their number of employees



Source: Country response to the 2017 OECD survey on strategic use of public procurement to support SMEs.

Reference

European Commission (2017), *SBA Fact Sheets 2016*, http://ec.europa.eu/DocsRoom/documents/22382. [1]

13. Estonia

13.1. SMEs in the national economy

Of all Estonian firms in 2014, only 0.2% were large enterprises that employ more than 250 persons. SMEs employed 78.5% of the workforce and accounted for 75.8% of value added. Of all firms, 90.6% were micro-enterprises, i.e. firms with less than 10 employees, employing 32% of the workforce and accounting for 26.6% of value added in 2014. SMEs play an important role in the Estonian economy, accounting for 73% of exported goods in 2015.

Table 13.1. Firm distribution in Estonia, 2014

(By firm size, percentage of all firms)

Firm size (employees)	Number	%
All firms	73 472	100
SMEs (1-249)	73 302	99.8
Micro (1-9)	66 572	90.4
Small (10-49)	5 595	7.8
Medium (50-249)	1 135	1.5
Large (250+)	170	0.2

Source: (OECD, 2017[1]).

13.2. National policy framework to support SMEs in public procurement

In 2017 Estonia enacted the new Public Procurement Act (Riigihangete seadus, or RHS), which transposes the EU directive on public procurement. The RHS included measures – such as division into lots, setting proportionate qualification requirements, central announcing of tenders, etc. – that facilitate SMEs' access to public procurement opportunities, although these are not SME-specific measures. Estonia is currently developing a standalone public procurement strategy.

13.3. Implementation mechanisms

The Ministry of Finance organises training on a regular basis for suppliers and contracting authorities on use of the central public procurement register. Also, there is a consultation service available for all, including contracting authorities and economic operators, to help understand the provisions of the RHS. FAQ materials as well as several guidance materials are available on line that provide further explanation of the provisions.

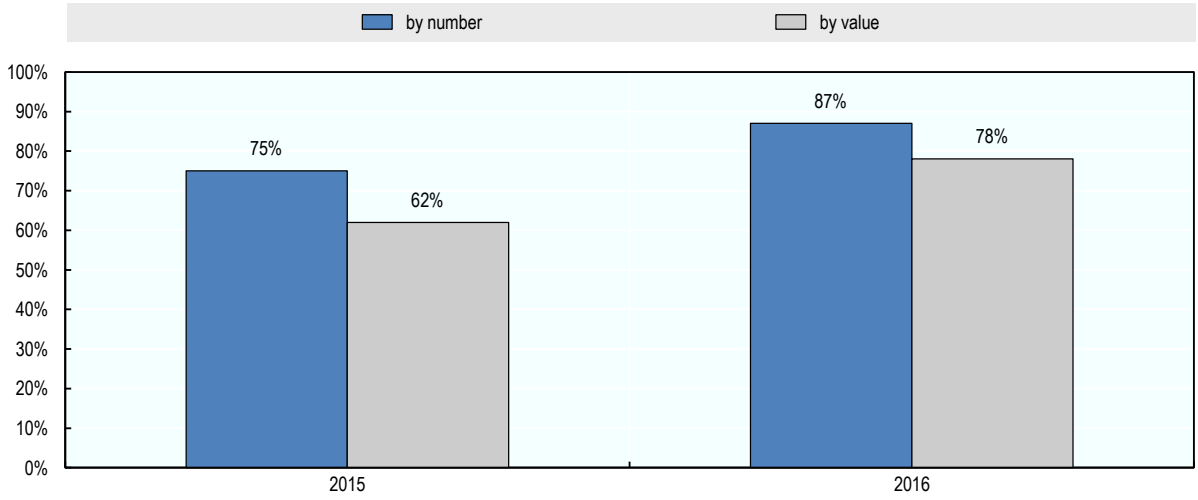
13.4. Monitoring performance

Analyses are currently being carried out on the costs of public procurement procedures, covering the costs borne both by contracting authorities and by the suppliers. It will be

repeated next year in order to evaluate the effectiveness of fresh rules set in the new Public Procurement Act. The input data for the analysis were collected by means of a questionnaire for contracting authorities and suppliers, which in turn was based on their evaluations.

Estonia started measuring the share of government contracts awarded to SMEs in 2015. Data are aggregated based on the information entered into the central public procurement register. Information on the enterprise size is self-declared by the enterprise at the time it registers its interest in a specific procurement.

Figure 13.1. Share of contracts awarded to SMEs



Note: Collection of information based on enterprise size began during 2015. Therefore, the data for the year 2015 are not complete and some data for the year 2016 are also unavailable. In addition, over 10% of contracts were concluded with enterprises whose size was not declared in 2015. As most of the firms in Estonia are SMEs, it is estimated that the actual share of contracts concluded with SMEs was over 80% in 2015. For the 2016 data as well, 2% of the contracts were concluded with enterprises whose size is unknown.
Source: Country response to the 2017 OECD Survey on strategic use of public procurement to support SMEs.

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

14. Finland

14.1. SMEs in the national economy

In Finland, 99.3% of all employer firms were SMEs in 2014 (87 186 SMEs), employing 62.4% of the labour force. The vast majority of them (78.7%) were micro-enterprises with less than 10 employees, employing 19.5% of the employer firms' total workforce.

Table 14.1. Firm distribution in Finland, 2014

(By firm size, percentage of all firms)

Firm size (employees)	Number	%
All firms	87,767	100
SMEs (2-249)	**87,186**	**99.3**
Micro (2-9)	69,043	78.7
Small (10-49)	15,608	17.8
Medium (50-249)	2,535	2.9

Note: Data include all industries (excluding primary production sectors) and exclude non-employer firms.
Source: (OECD, 2017[1]).

14.2. National policy framework to support SMEs in public procurement

Support for SMEs in public procurement is defined in public procurement policies and government programmes. While the law stipulates non-discrimination of economic operators, including in relation to their size, measures are in place to specifically facilitate SME access to public procurement markets. For instance, tenders are encouraged to be divided into lots, as stated in the Finnish Act on Public Procurement as well as in the central government's Handbook on Public Procurement. In case the contracting authority decides not to divide the tender into lots, it must provide its reasoning for not doing so.

In Finland there are two national central purchasing bodies (CPBs) – Hansel, for central government organisations and their closely related entities, and KL-Kuntahankinnat, for those at the regional and local levels.[1] In their procurement activities, the two CPBs take SMEs into careful consideration. In order to make information available on upcoming tender opportunities, Hansel provides it the news on its webpage on rolling basis 18 months beforehand. Hansel also provides central government agencies' planned procurement procedures on its webpage in co-operation with the Ministry of Finance.[2]

It is also part of the CPBs' policies to arrange an information event to suppliers on the contents of the tender and how to prepare their tender. All interested parties can participate, and the event is organised some days after the call for tenders has been published nationally and in TED (Tender Electronic Daily – the European public procurement journal). It is often possible to join the event via videoconferencing. Furthermore, when setting minimum requirements for turnover and previous experience, Hansel sets them in relation to the value

of a typical individual contract concluded under a framework agreement, rather than to the total value of the agreement.

14.3. Implementation mechanisms

Hansel works together with the Federation of Finnish Enterprises as well as many industry associations when preparing and planning the tenders (before publishing any notices). It is common practice to send the very first drafts of technical specifications to contracting authorities and potential suppliers. Furthermore, guidance for suppliers on how to participate in public procurement opportunities of the CPBs is available on line. General training for suppliers on public procurement is often organised by private sector training organisations (legal firms, specialised training organisations and industry associations). These training sessions often include a speaker from Hansel, KL-Kuntahankinnat, or procuring entities that may speak about CPB activities.

Hansel also actively engages with SMEs during the preparation phase, or before any notice is published. It directly targets new innovative SMEs, or approaches them through industry associations, in order to get "uninterested" SMEs to participate and engage with new, energetic and innovative suppliers in the CPBs' framework agreements.

14.4. Monitoring performance

Hansel has a management information system where all phases of the procurement procedure are recorded. The project managers input the data into the system and their managers approve the steps that have been taken. The system tracks the different sizes of companies involved in the CPB framework agreements. Additionally, it tracks the continuous financial performance of the suppliers, so that the users of framework agreements can skip this step. Among others, the system checks whether suppliers have paid their taxes, and if the supplier information "turns to red", or irregularities are identified, the responsible person at Hansel is alerted.

Notes

[1] There are plans to merge Hansel and KL-Kuntahankinnat into one centralised purchasing entity. The new entity will be able to serve all contracting authorities in Finland. The merger is subject to parliament approval and passage of a new administrative law on centralised purchasing activities. The new law is expected to be passed before 1 January 2019, the date the merger is due to take place.

[2] Available at www.hansel.fi/hankintojen-asiantuntijapalvelut/valtion-kilpailutuskalenteri/. The website also features notices on small-value procurement for which publication is not mandatory but which the agencies have chosen to make public.

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

15. France

15.1. SMEs in the national economy

There are roughly 2.5 million SMEs (legal units) in France. They account for 99.8% of all enterprises excluding approximately 0.5 million of non-employer enterprises.

Table 15.1. Firm distribution in France, 2015

(By firm size, percentage of all firms)

Firm size (employees)	Number	%
All firms	2 808 084	100
SMEs (1-249)	**2 803 920**	**99.9**
Micro (1-9)	2 660 979	94.8
Small (10-49)	123 146	4.4
Medium (50-249)	19 795	0.7
Large (250+)	4 164	0.1

Note: Data includes financial enterprises with the exception of holding companies (ISIC Rev.4 sector 642). Non-employer enterprises are not included.
Source: (OECD, 2017[1]).

15.2. National policy framework to support SMEs in public procurement

The Directorate of State Procurement (Direction des achats de l'État, or DAE), responsible for defining the procurement policy of the State under the authority of the Prime Minister, has taken actions for many years to improve SMEs' access to state purchases. The importance of facilitating SMEs access to public procurement, particularly through upstream sourcing or allotment practices, is now well integrated by the ministries. They also hold multiple events to meet companies, also through regional procurement platforms (plateformes regionales des achats or PFRAs) at the regional level. The DAE recognises that the real lever of access to public procurement for SMEs remains purchases managed at a regional or local level. The organization of State purchases at the regional level makes it possible to increase SMEs' access to public procurement. Some actions that are conducted directly by some buyers of the State at the regional level include:

- One PFRA works on measuring the impacts (positive externalities) of purchases made from SMEs, in particular the effect on local employment through contracts awarded to SMEs.
- Another PFRA will organize "live my life" sessions between buyers and SME CEO's to build mutual understanding of each other's working environment (in collaboration with the regional Chamber of Commerce).

With the creation of the DAE, the role of the regional Prefect (Prime Minister's regional representative) on purchases and its capacity to pool purchases at a regional level has been

strengthened through the establishment of PFRAs under its authority. Thus, 73 purchase sub-segments (out of 300 in the national purchasing reference system) have been entrusted to the PFRA, for which they pool purchases at the regional level (instead of the national level). Furthermore, the PFRAs must hold meetings at least twice a year between companies and all State buyers located in the region. The objective is, through a better mutual understanding between buyers and companies:

- to enable State purchasers to inform about their planned purchases for the coming years (to give companies more visibility on what State purchases could represent for their activities)
- to better know the solutions of the companies which can answer the State purchase needs.

In this way, SMEs can have all the information they need to prepare their proposals to the upcoming calls for tenders.

Some of the tools in place to facilitate SME access to public procurement include:

- *The State Procurement Platform (PLACE)*[1] – this platform allows companies to consult and bid for call for tenders published by the State services in central and decentralised administrations and State agencies. Companies registered on PLACE can also create daily or weekly alerts to be informed of any new calls for tenders according to the keywords they have entered.
- *Co-contracting platform for companies*[2] – at the end of 2015, DAE has created this platform, managed by a trusted third party. It provides companies a secure platform where they could meet, and state buyers do not have access to discussions on this platform. Any company registered on the platform can indicate to be interested in being a co-contractor with other companies for certain calls for tenders published on PLACE.
- *State purchases one-stop shop* – DAE is implementing a complementary tool for SMEs by the end of 2018 for SMEs and State buyers: a one-stop shop located on the website of DAE for companies wishing to be contacted quickly by a State buyer specialised in their field of activity. The aim is to create a single point of entry for companies to organise, optimise and streamline buyer-business contacts.

Additionally, under the framework of SME Pact (Pacte PME), association of large public and private entities has established strategic partnership with SMEs on the basis of database on 10 000 SMEs in an effort to level the playing field for companies of different sizes.

UGAP (Union des Groupements d'Achats Publics), as a central purchasing body in France, takes into account SME consideration in its activities. It engages regularly with supplier associations especially prior to the publication of call for tenders in order to both provide suppliers information on UGAP's upcoming needs and better understand the market. Furthermore, UGAP has implemented an extranet – SINOE (Simplifions Nos Echanges, or Let's simplify our exchanges) to better manage its relationship with suppliers. This platform allows transmission of orders, follow-up on the orders, exchanges about dispute resolution, filing of signed electronic invoices in pdf format, follow-up on the status of payment, selection of invoices to be paid in the case of collaborative reverse factoring (affacturage collaborative), etc.

Particularly, collaborative reverse factoring allows UGAP to make the payment for the invoices within few days, which is much shorter than the statutory limit of 30 days, at financially favourable conditions. The financial conditions have been negotiated by UGAP, based on its purchasing volume and the quality of its sound credit standing. UGAP suggest

this solution to its suppliers, targeting SMEs as a priority group, who then can choose to refer to it.

Furthermore, UGAP, in cooperation with the territorial authorities, pursues actively an innovation policy that supports numerous innovative SMEs and start-ups, for which public procurement represents a significant market for their commercialisation. In 2016, 2.3% of UGAP's activities were awarded to innovative SMEs and has a goal of 5% by 2018-2020.

15.3. Implementation mechanisms

The Legal Affairs Directorate (*la Direction des affaires juridiques)* of the Ministry of Economy and Finance (*Ministère de l'économie et des finances*) prepared numerous documents, including practical guidance on "Tools to facilitate SMEs' and micro enterprises' access to public procurement," explanatory notes, and model forms.

15.4. Monitoring performance

Table 15.2. Share of contracts awarded to SMEs, against annual targets

Year	Ministries /PFRA		State agencies	
	Target	Achieved	Target	Achieved
2016	25 %	28,4 %	-	24,5%
2017	27 %	28,1 %	-	28,3%
2018	29 %	-	-	-

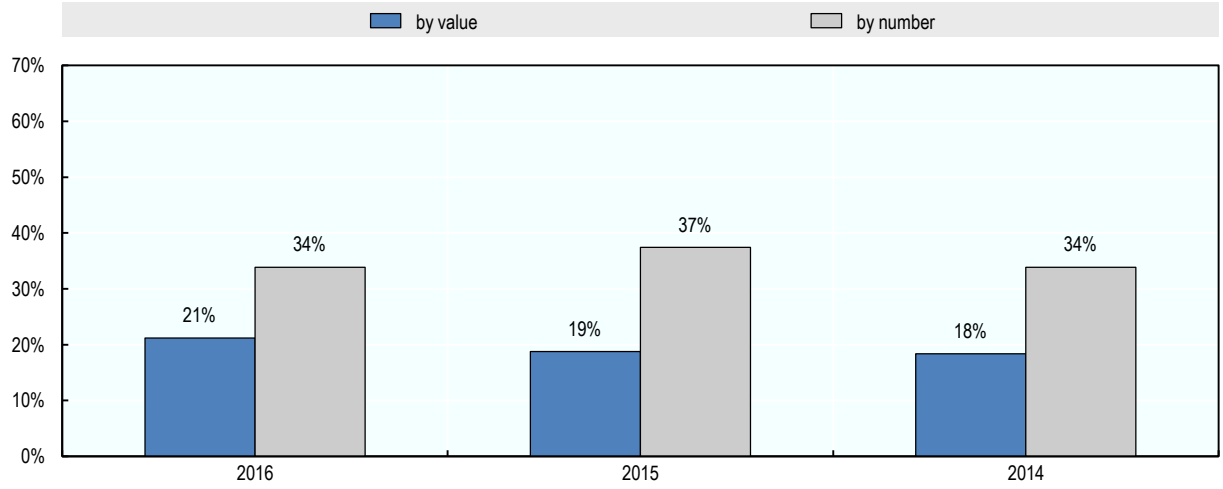
Note: The target for State agencies is 30% by 2020.
Source: Information provided by the DAE.

Some of the key figures on the performance of the co-contracting platform include:

- At the end of 2017, more than 3 000 companies had registered on the platform, representing 77% increase compared with 1 700 at the end of 2016.
- In the overall scope of the State purchases, 1 113 consultations were awarded to joint-bids in 2017, representing 91% increase compared with 584 in 2016
- The total amount of contracts awarded to joint-bids in 2017 was nearly EUR 4 billion over the contracts duration

UGAP categorises its suppliers according to their size, and monitors the share of its contracts awarded to SMEs (see figure below). It also has in place plans to identify SMEs who participate as joint bidders and first tier subcontractors.

Figure 15.1. SME share of public procurement contracts awarded by UGAP, 2014-2016



Source: Country response to the 2017 OECD Survey on strategic use of public procurement to support SMEs

Notes

[1] www.marches-publics.gouv.fr/?page=entreprise.AccueilEntreprise

[2] www.marches-publics.gouv.fr/docs/outils-esr-2017/place/Bourse_cotraitance_mode_emploi6.pdf

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

16. Germany

16.1. SMEs in the national economy

SMEs in Germany are significant contributors to jobs and value added in the "non-financial business economy". They contribute to approximately 63% of total employment and 53% of value added.

Table 16.1. Basic figures of the non-financial business economy in Germany, 2015

	Number of enterprises		Number of persons employed		Value added	
	Number	Share	Number	Share	(in billion EUR)	Share
Total	2 242 897	100.0%	27 204 463	100.0%	1 536.1	100.0%
SMEs	2 232 081	99.5%	17 077 366	62.8%	816.3	53.1%
Micro	1 842 862	82.2%	5 150 030	18.9%	236.7	15.4%
Small	335 531	14.9%	6 373 843	23.4%	277.6	18.1%
Medium-sized	55 688	2.5%	5 553 493	20.4%	302.0	19.7%
Large	10 816	0.5%	10 127 097	37.2%	719.8	46.9%

Note: These estimates for 2015 are produced by DIW Econ, based on 2008-13 figures from the Structural Business Statistics Database (Eurostat). The data cover the non-financial business economy, which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry or fisheries or the largely non-market service sectors such as education and health. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.
Source: (European Commission, 2017[1]).

16.2. National policy framework to support SMEs in public procurement

Germany has long considered the interests of SMEs in public procurement. In cases of changes to the public procurement provisions, their potential impact on SME participation in public procurement procedures is thoroughly examined. In particular, to facilitate their access to public procurement opportunities and ensure a level playing field, contracting authorities have been obliged to divide public contracts into lots. In order to help contracting authorities do so, the Federal Ministry of Economic Affairs has issued a guidance paper on the division into lots. It has also made an electronic calculation tool available to contracting authorities, to help them find the right size of lots.

Policies and strategies, especially those on sustainable public procurement and innovation in public procurement, take SMEs into consideration. The Action Plan on Sustainability (Maßnahmenprogramm Nachhaltigkeit) under the responsibility of the Federal Chancellery (Bundeskanzleramt) sets out actions on public procurement conducted by the federal government. The Competence Centre for Sustainable Public Procurement (KNB) was created to help the public procurement authorities, including those at the regional and local level, put policy goals on sustainability into practice. It advises all contracting authorities in Germany with regard to environmental, economic and social criteria. Furthermore, the

Competence Centre for Innovative Procurement (KOINNO) was created to help the contracting authorities at the federal as well as regional and local levels put the policy goal of furthering innovation through public procurement and procuring innovative goods and services into practice. KOINNO, similar to KNB, provides guidance – e.g. on its webpage[1] and at workshops – in the form of best practice examples and advice on concrete practical questions.

16.3. Implementation mechanisms

The Federal Ministry of Economic Affairs has issued a guidance paper on the division into lots. It has also made an electronic calculation tool available to contracting authorities to help them find the right size of lots.

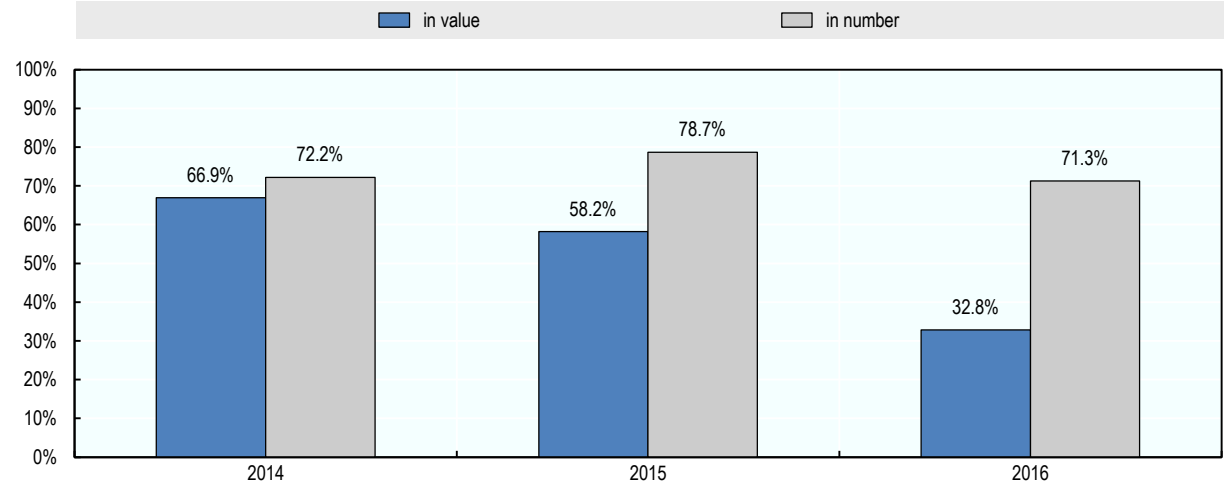
Furthermore, mandatory use of e-procurement for central purchasing bodies and further obligatory application of use for all public procurement above the threshold from April 2018 facilitates SMEs' participation in public procurement market.

As a way of engaging with SMEs, there are meetings on different levels between government representatives and representatives of SMEs and their associations. Government representatives take part in expert conferences conducted by SME associations. In this way, the positions of the SME associations are regularly heard and taken into account.

16.4. Monitoring performance

SME participation in the German public procurement market is expected to be measured and monitored once the new statistics on public procurement introduced by regulation is implemented. Data on the SME share of public procurement contracts awarded by the central purchasing bodies are currently available.

Figure 16.1. Share of CPB contracts awarded to SMEs in Germany



Source: Country response to the 2017 OECD survey on strategic use of public procurement to support SMEs.

Note

[1] de.koinno-bmwi.de.

Reference

European Commission (2017), *SBA Fact Sheets 2016*, http://ec.europa.eu/DocsRoom/documents/22382. [1]

17. Greece

17.1. SMEs in the national economy

The share of Greek enterprises defined as SMEs is 99.9%, according to data from the European Commission, corresponding to a total number of 729 353 SMEs. The share of Greek businesses defined as micro-enterprises is 96.7%, numbering 705 537 and employing fewer than 10 employees; 2.9% (21 272) are defined as small enterprises, 0.4% (2 544) as medium-sized enterprises and only 0.1% (422) as large enterprises. More than half of the workforce is employed by micro-enterprises and 86.9% by SMEs, accounting for 37.5% and 75.0% respectively of the value added in the economy. Compared with the EU-28 average, SMEs and especially micro-enterprises are more numerous and more important to the Greek economy.

Table 17.1. Distribution of firms in Greece, 2016

(By firm size)

% share	Number of enterprises		Number of employees		Value added	
	Greece	EU-28	Greece	EU-28	Greece	EU-28
Micro	96.7	92.6	58.7	29.2	37.5	21.1
Small	2.9	6.2	14.4	20.5	21.2	18.2
Medium	0.4	1	10.8	17.5	16.4	18.8
SMEs	99.9	99.8	86.9	67.1	75	58.1
Large	0.1	0.2	13.1	32.9	25	41.9
Total	100	100	100	100	100	100

Source: (OECD, 2017[1]).

17.2. National policy framework to support SMEs in public procurement

The National Strategy for Public Procurement includes action points that aim at providing support to SMEs in public procurement. Development of the strategy reflects the recognition of public procurement as a strategic tool to support economic growth and entrepreneurship by the Greek Government.

Transposition of the 2014 EU directive on public procurement places special emphasis on SME participation in the public procurement market. In particular, division of tenders into lots is made mandatory by law.

17.3. Implementation mechanisms

The National Action Plan for Public Procurement has been developed and finalised through close co-operation with central contracting authorities, which participate in implementing the national strategy.

The General Directorate for Public Contracts and Procurement, as a national central purchasing body of Greece, also takes into account SME considerations in their activities. The Directorate holds special informative meetings on administrative and technical matters regarding upcoming procurement opportunities for the CPB framework agreements. These framework agreements also need to be divided into lots, as appropriate.

17.4. Monitoring performance

Through the e-procurement system, certain tools have been developed in order to measure, for example, economies of scale, the number of bids, the number of economic operators, completion time, etc. However, there is no measurement of the effectiveness of the strategic use of public procurement to support SMEs.

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

18. Hungary

18.1. SMEs in the national economy

In Hungary, the SME sector is dominated by micro-enterprises (including self-employed persons). The share of this SME category is at almost 93% within the total number of enterprises. The share of active SMEs within the total number of enterprises is as high as 99.8%. However, the share of value added is lower than the EU average. At the same time, the share of employees is considerably higher in Hungary compared to the EU average.

Table 18.1. Distribution of firms in Hungary, 2015

(By firm size)

	Number of enterprises			Number of persons employed			Value added		
	Hungary		EU-28	Hungary		EU-28	Hungary		EU-28
	Number	Share (%)	Share (%)	Number	Share (%)	Share (%)	EUR billion	Share (%)	Share (%)
Micro	478 021	94.2	92.7	847 980	34.6	29.3	9	18.7	21.1
Small	24 617	4.9	6.1	461 790	18.8	20.4	8	16.1	18.2
Medium	4 039	0.8	1.0	400 148	16.3	17.3	9	18.8	18.5
SMEs	506 677	99.8	99.8	1 709 918	69.8	67.1	26	53.6	57.8
Large	867	0.2	0.2	741 405	30.2	32.9	23	46.4	42.2
Total	**507 544**	**100**	**100**	**2 451 323**	**100**	**100**	**49**	**100**	**100**

Note: These are estimates for 2014 produced by DIW Econ, based on 2008-12 figures from the Structural Business Statistics Database (Eurostat). The data cover the non-financial business economy, which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry or fisheries, or largely non-market service sectors such as education and health. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.
Source: (OECD, 2017[1]).

18.2. National policy framework to support SMEs in public procurement

The Hungarian regulation on public procurement is based on the EU public procurement directives; its national implementation and the regulation itself places great emphasis on supporting SMEs. This objective is not not set out in an officially adopted strategy paper, but has always been an important element of public procurement policy.

During the transposition of the new public procurement directives, there was extensive public consultation with professional and economic chambers, stakeholders and public procurement experts. Regular consultations were held after the entry into force of the new Public Procurement Act (hereinafter PPA) as well, in order to collect practical experiences.

The PPA emphasises ensuring an environment that facilitates SME access without any preferential rules for them. For instance, it tries to reduce administrative burden through free publication of public procurement documents and makes division into lots mandatory

without justification. The PPA further introduced normative limitation on selection criteria. For instance, the required amount or measure of references cannot exceed 75% of the estimated value or other quantity of the contract, and all references equivalent to the subject matter of the contract from a technical aspect need to be accepted.

18.3. Implementation mechanisms

Following transposition of the new rules, the Prime Minister's Office actively monitored the practical application of the new PPA. The PPA also published guidelines and organised workshops, training and conferences. Information on these could be found on the Act's website free of charge. Additionally, the Public Procurement Authority signed an agreement with FIVOSZ (Young Entrepreneurs Association Hungary) on 15 November 2016 in order to create professional co-operation in public procurement regarding organisation of conferences, training sessions and consultations.

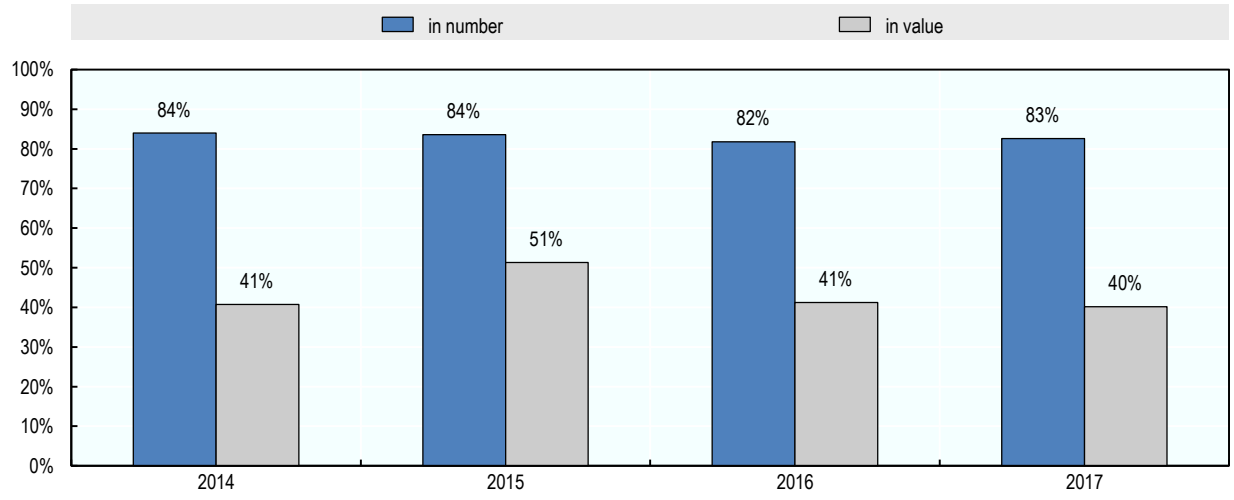
KEF, the Procurement and Supply Directorate – as the central purchasing body of Hungary – manages the framework agreements for centrally awarded contracts. In order to support SME participation, KEF prepares detailed documents containing information on the centralised public procurement system. KEF helps both the bidders and the contracting authorities, by arranging presentations at conferences that are held together with professional organisations.

18.4. Monitoring performance

According to Article 66 (4) of the PPA, the economic operator must declare in his bid whether he is a micro, small or medium-sized enterprise or not (simple statement). The sample of this statement is provided by the contracting authority in the contract documents. The economic operator must provide the same information in the European Single Procurement Document. The e-procurement system in place enables this information to be stored inthe profile of the economic operator.

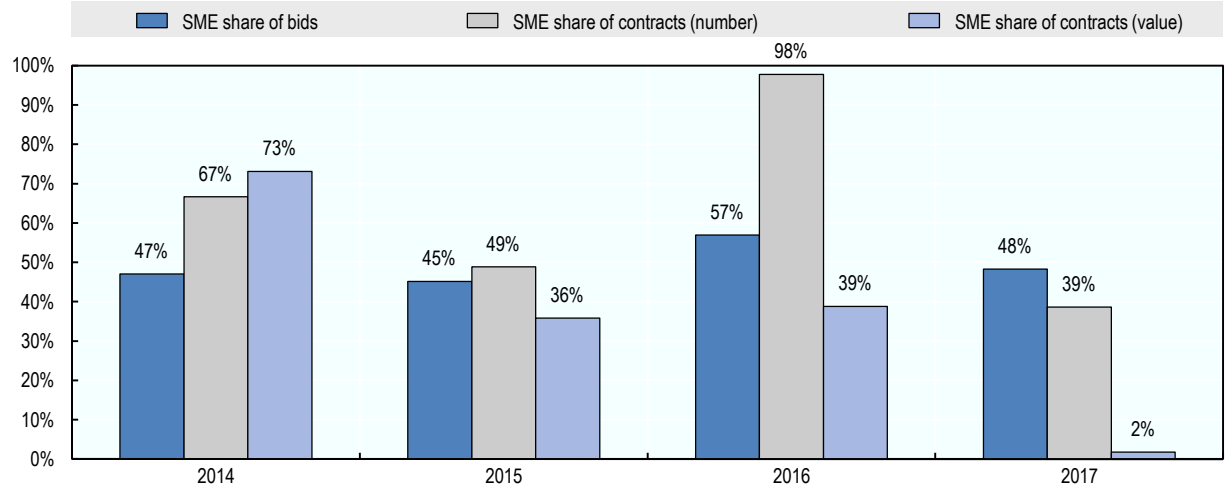
In terms of assessing the effectiveness of the public procurement system, the Prime Minister's Office co-operates and consults continuously with the entities affected in public procurement in order to know of practical experiences and problems, and create best practices. The Public Procurement Authority also publishes regular annual statistics on procedures, including the success rate of SMEs and the share of public procurements awarded to them (Figure 18.1).

Figure 18.1. Share of contracts awarded to SMEs in Hungary, 2014-17



Source: Country response to the 2017 OECD Survey on strategic use of public procurement to support SMEs

Figure 18.2. SME participation and performance in KEF-awarded contracts, 2014-17



Source: Country response to the 2017 OECD Survey on strategic use of public procurement to support SMEs

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

19. Iceland

19.1. SMEs in the national economy

SMEs in Iceland are significant actors in the "non-financial business economy". They contribute to approximately three-fourths of total employment and more than two-thirds of value added.

Table 19.1. Basic figures of the non-financial business economy of Iceland, 2014

Estimates for 2014 based on figures from the Structural Business Statistics Database (Eurostat)

	Number of enterprises		Number of persons employed		Value added	
	Number	Share	Number	Share	(in billion EUR)	Share
Total	24 255	100.0%	104 890	100.0%	6 531	100.0%
SMEs	24 200	99.8%	77 620	74.0%	4 442	68.0%
Micro	22 707	93.6%	29 218	27.9%	1 552	23.8%
Small	1 267	5.2%	25 422	24.2%	1 282	19.6%
Medium-sized	226	0.9%	22 980	21.9%	1 608	24.6%
Large	55	0.2%	27 270	26.0%	2 090	32.0%

Note: These data for 2014 are provided by Statistics Iceland and Eurostat (Structural Business Statistics Database), and were processed by DIW Econ. The data cover the non-financial business economy, which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry or fisheries, or largely non-market service sectors such as education and health. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.
Source: (European Commission, 2017[1]).

19.2. National policy framework to support SMEs in public procurement

Considerations regarding SMEs are integrated into general public procurement policy, especially with a view to increasing competition in public procurement. Ríkiskaup, the central purchasing body of Iceland, urges contracting authorities to divide contracts into lots, except where proper justification exists, so that the size of the tender does not discourage SME participation.

Implementation of the e-tendering system, scheduled for 2017, as well as use of the European Single Procurement Document and e-access to databases to obtain certificates and attestations is expected to further standardise and simplify public procurement procedures.

19.3. Implementation mechanisms

Ríkiskaup hosts a conference biennially to inform economic operators and buyers about the latest changes in public procurement. It has also provided educational seminars about

public procurement, which were organised by the Federation of Icelandic Industries. Ríkiskaup has also offered seminars on public procurement law in co-operation with the University of Iceland for both contracting authorities and economic operators. These events are not specially held for SMEs. However, as the majority of the business population in Iceland are SMEs, these events help increase visibility and understanding of the public procurement system and facilitate SME participation in public procurement.

Furthermore, in order to increase the participation of craftsmen's enterprises in a framework agreement on craftsmen services, several visits have been made to their organised interest meetings.

19.4. Monitoring performance

As 99.8% of companies in Iceland are SMEs, there is no specific monitoring mechanism regarding SME participation in the public procurement market. In 2016, SMEs were awarded 91% of the contracts from Ríkiskaup in terms of number, which represented 90% in terms of volume.

Reference

European Commission (2017), *SBA Fact Sheets 2016*, http://ec.europa.eu/DocsRoom/documents/22382. [1]

20. Ireland

20.1. SMEs in the national economy

SMEs comprised 99.5% of all employer firms in 2014 and employed approximately 65% of the labour force, whereas large enterprises comprised only 0.5% of the employer firms, but accounted for approximately 35% of employment. Actually, that when proprietors and family members engaged in the SME are added to the employee figure, SMEs account for 69% of persons employed.

Table 20.1. Distribution of firms in Ireland, 2014

(By firm size)

Firm size (employees)	Number of enterprises	% of total	Number of employees*]	% of employees	Numbers of persons engaged**	% of persons engaged
All active enterprises	238 249					
Non-employer firms	135 811					
All active enterprises (excluding non-employer firms)	102 438	100	1 191 676	100	1 334 291	100
SMEs						
Micro (1-9)	84 570	82.6	238 799	20	373 342	28
Small (10-49)	14 728	14.4	284 745	23.9	291 714	21.9
Medium (50-249)	2 628	2.6	254 647	21.4	254 928	19.1
Large (250+)	512	0.5	413 485	34.7	414 307	31

Note: Does not include NACE Code 64.20, Activities of Holding Companies.
* Employees are persons who are paid a fixed wage or salary.
** Persons engaged include employees, proprietors and family members. Persons engaged are the sum of employees plus working proprietors.
Source: (OECD, 2017[1]).

20.2. National policy framework to support SMEs in public procurement

The Irish Government recognises the role that public procurement can play as an instrument to support innovation that allows SMEs greater access to the public sector market. Circular 10/14,[1] issued by the Department of Public Expenditure and Reform, sets out guidance for all public sector bodies to further enable SMEs to compete for public contracts. The guidance covers in particular the following areas:

- market analysis
- sub-dividing contracts into lots
- consortium bids
- capacity requirements
- turnover requirements

- innovation
- framework agreements
- assistance with eProcurement
  - advertising of contract opportunities to promote SME participation
  - publication of contract award notices
  - registration and email alerts
  - supplier databank
  - prior information notices
  - requests for tenders/expression of Interest
  - online submission of tenders
- insurance levels
- life cycle costing
- no charging for tendering opportunities
- feedback.

Further support for SMEs to participate in the public procurement market can be found in Small Business Innovation Research (SBIR) Ireland, the national innovative pre-commercial procurement initiative administered by Enterprise Ireland, Green Action Plan for SMEs, and Action Plan for Jobs 2017.

20.3. Implementation mechanisms

The Office of Government Procurement, the central purchasing body of Ireland, established the SME Advisory Group and facilitates its quarterly meetings. It is a standing group chaired by a Minister of State at the Department of Finance and Public Expenditure and Reform to discuss procurement policy and initiative design to assist SMEs, so that the voice of Irish SMEs can be heard at the highest level. The Office of Government Procurement engages with industry representatives and civil societies, including the Irish Small and Medium Enterprises Association (ISME), Irish Business and Employers Confederation (IBEC), Small Firms Association (SFA), Construction Industry Federation (CIF) and Chambers Ireland through the SME Advisory Group to exchange views and identify policy initiatives. Other business-focused public bodies that attend these meeting would include the Competition and Consumer Protection Agency; Enterprise Ireland; Inter-trade Ireland; and the Department of Business, Enterprise and Innovation.

The Office of Government Procurement holds an annual conference that covers all of the latest policy developments relevant to suppliers. Furthermore, the Office of Government Procurement, Enterprise Ireland and Inter-trade Ireland regularly hold “meet the buyers” events designed to encourage SME participation and to increase knowledge of policy in the area.

20.4. Monitoring performance

Each year the Office of Government Procurement (OGP) carries out a spending and tendering report on all procurement activity. The Public Service Spend and Tendering Analysis Report for 2014, published by the OGP, indicates that 95% of the analysed expenditure is with Irish-based firms and the majority of the spend analysed is with SMEs. The OGP also conducted an analysis of the 122 framework agreements it has in place, which shows that 67% of framework members are SMEs and 63% of the frameworks had multiple lots, facilitating SME access.

Note

[1] Circular 10/14: Initiatives to assist SMEs in Public Procurement, accessible at http://etenders.gov.ie/Media/Default/SiteContent/LegislationGuides/Circular_10_-_14_0.pdf.

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

21. Israel[1]

21.1. SMEs in the national economy

As of 2014, there were 504 224 businesses in Israel, 99.5% of which were SMEs that employ up to 100 workers. Independent businesses without employees accounted for 50.4% of the business population. Micro-enterprises (1-4 employees) accounted for 35% of the business population, and 11% of total employees. Small businesses (5-19 employees) accounted for 10% of the business population, and 18% of total employees. Medium businesses accounted for 3% of the business population, and 21% of total employees. Only 0.2% of Israeli employer companies have more than 250 workers.

Table 21.1. Distribution of firms in Israel, 2014

(By firm size)

Sector	Number of businesses	Number of employees	% of total business population
Self-employed	254 377	254 377	50.4
Micro businesses	177 447	290 899	35
Small businesses	54 848	478 675	10
Medium businesses	14 885	575 225	3
Large businesses	2 667	1 091 360	0.2
Total	504 224	2 690 536	100

Source: (OECD, 2017[1]).

21.2. National policy framework to support SMEs in public procurement

Support for SMEs in public procurement can be found in various legal texts. To begin with, broader business policy identifies SME access to the public procurement market as one of the key areas for their development, as is the case in the actions set out by Government Decision No. 3409. Additionally, the Small and Medium Business Agency, which was established to concentrate all support for small and medium businesses in one government agency, works with the Government Procurement Administration in implementing government procurement policy on matters related to SME participation.

Under the public procurement regulatory framework, the Mandatory Tenders Law and its regulations promote values such as proper administration, competitiveness and equality. In addition, the law establishes rules designed to remove barriers and increase the participation of small businesses in government procurement, which include:

- the prohibition on setting threshold conditions that are not relevant
- the duty to explain threshold conditions beyond the threshold set by law

- the prohibition on collecting participation fees in tenders whose total monetary amount is more than the amount prescribed by law
- commitment to the participation of small and medium businesses as much as possible.

An administrative directive to the government ministries instructs the tenders committee to examine, prior to the publication of a tender, the conditions and requirements that may constitute a constraint on of the participation of small and medium-sized businesses. In addition, this directive allows the Small and Medium Business Agency to apply to the tenders committees in cases where the agency finds that an unnecessary condition has been established that could block the participation of small and medium-sized businesses.

Furthermore, as part of its goal to promote procurement for innovation, the Governmental Procurement Administration is examining ways to simplify the procedures for contracting with start-up companies. This objective is also expected to promote the possibility of contracting with small and medium enterprises.

21.3. Implementation mechanisms

The Governmental Procurement Administration publishes administrative directives that guide the work of government ministries in the area of procurement and tenders. Government ministries are instructed to act in accordance with the administrative code regarding the participation of SMEs in government procurement. Among other things, the code instructs the tender committees in connection with the measures required before the publication of a tender.

The Government Procurement Administration has developed a methodology for conducting "challenge tenders". In these tenders, the tender editor specifies the purpose of the contract, but does not specify the manner of execution required. These tenders enable suppliers who usually do not compete in government tenders to offer various solutions to the needs of the government without fearing that they will not meet the bureaucratic requirements that are typical of government tenders. They thus enable start-up companies and small and medium-sized enterprises to compete. Four "challenge tenders" have been published in the past year.

The Small and Medium Business Agency organises various training sessions and workshops for SMEs on various subjects, including public procurement. It also plans to set up a help desk service. SMEs currently can contact the agency's regional centres for consultation.

The representative of the Small and Medium Business Agency takes also part of training courses for members of the tender committees and gives lectures on SME participation in government procurement. Participation in the training course is mandatory.

21.4. Monitoring performance

Starting from 2018, government ministries have the statutory obligation to publish data on public procurement contracts awarded to SMEs. The definition of an SME was established by law in August 2016. Accordingly, the obligation to report on engagements with SMEs was in place as of 2018. In light of this, rules will be set during the coming year for receiving reports from suppliers regarding their definition as part of the procurement process. The definition in the law is based on the number of employees and financial turnover, and the data collection will be based on the suppliers' declarations.

Note

[1] The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

22. Italy – Consip

22.1. SMEs in the national economy

SMEs represent 99.9% of all firms in Italy; the share of micro-enterprises is higher than the EU average across all sectors. Over the past few years, micro and (most notably) small firms were hit hard by the economic downturns. The latter experienced a steep drop in terms of number, employment (both down by more than 15% in 2014 compared with 2007) and, to a slightly lesser extent, value added.

Table 22.1. Distribution of firms in Italy, 2014

(By firm size)

	Total active enterprises*		Enterprises according to the SBS Regulation (No 295/2008)**	
Firm size (employees)	Number	%	Number	%
All firms	4 263 878	100	3 690 146	100
SMEs (up to 249)	**4 260 500**	**99.9**	**3 687 069**	**99.9**
Micro (up to 9)	4 065 829	95.4	3 505 828	95
Small (10-49)	174 032	4	162 709	4.4
Medium (50-249)	20 639	0.5	18 532	0.5
Large (250+)	3 378	0.1	3 077	0.1

Note: * Financial and insurance activities are excluded. ** Data include all market activities in Sections B through N (excluding K) of the common statistical classification of economic activities in the European Community as established by Regulation (EC) No 1893/2006 (Nace Rev. 2). Data include firms with and without employees.
Source: (OECD, 2017[1]).

22.2. National policy framework to support SMEs in public procurement

Consip, as the central purchasing body, runs the "Programme for the Rationalisation of Public Purchases" on behalf of the Ministry of Economy and Finance (MEF), by performing framework agreements and dynamic purchasing systems, and managing the public digital marketplace (MePA) (see Box 2.8 for further information), for the benefit of the entire public administration.

Consip has strengthend its co-operation with suppliers' institutional representatives through establishment of Supplier Training Desks (Sportelli in Rete project) (see Box 2.13 for further information). Today there are more than 370 Supplier Training Desks operating all over the country, at local and regional levels. Consip provides free assistance and training on the benefits of a fair and transparent public procurement system, achieved through among others digitalisation, to these Desks that support thousands of Italian small firms and micro-enterprises,.

22.3. Implementation mechanisms

Consip communicates its upcoming procurement opportunities through its website (www.consip.it) and social networks (Twitter, LinkedIn, Telegram Messenger and YouTube). In particular, its site has a devoted section titled "Mondo Gare" that features updates on tenders notices, and another section named "Consultazioni del mercato", which provides early market engagement opportunities to any enterprise willing to reply to the market consultation questionnaires.

Information about upcoming tenders can also be consulted on www.acquistinretepa.it, the national public e-procurement platform of the Ministry of Economy and Finance, managed by Consip. Specifically, the homepage section named "Ultimi bandi per le imprese" provides the most recent tender notices for enterprises. Furthermore, in section "Bandi – Atri bandi" (notices – other notices), all ongoing ASP (Application Service Provider) tenders, which are carried out either by Consip or by individual contracting authorities (CA), are listed. This web area also features an interesting section named "Bandi – RdO aperte" (notices – open RfQ), showcasing all the RfQ (Requests for Quotations) below the EU threshold, launched by individual CAs on the MePA. Any enterprise qualified on the MePA, especially SMEs, can participate.

22.4. Monitoring performance

In order to assess SME participation in its public procurement activities, Consip measures, among other things:

1. the number of SMEs qualified on the MePA;
2. the number of SMEs being awarded a contract on the MePA and through any other kind of procedure;
3. the number of new qualified SMEs on the MePA;
4. the share of contracts value awarded to SMEs on the MePA and through any other kind of procedure;
5. the SMEs trade balance, on the MePA, indicating the ratio between purchases and sales in each Italian region;
6. an upcoming public expenditure geographical referencing (for more details on the geographical referencing please refer to the promotional video on Youtube Consip https://www.youtube.com/watch?v=Qglw-Y16To0&feature=youtu.be)

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

23. Japan

23.1. SMEs in the national economy

Only a very small fraction of Japanese enterprises are large. Within the SME sector micro-enterprises predominate, in both number of firms and number of employees.

Table 23.1. Number of business establishments and enterprises by industry and size in Japan, 2014

(Private, non-primary industry)

Industry	SMEs				Large enterprises		Total	
			Of which micro					
	No.	% of total	No.	% of total	No.	% of total	No.	% of total
Mining and quarrying of stone and gravel	1 454	99.7	1 284	88.1	4	0.3	1 458	100
Construction	455 269	99.9	435 110	95.5	284	0.1	455 553	100
Manufacturing	413 339	99.5	358 769	86.4	1 957	0.5	415 296	100
Electricity, gas, heat supply and water	1 000	97.2	708	68.8	29	2.8	1 029	100
Information and communications	45 254	98.8	29 993	65.5	533	1.2	45 787	100
Transportation and postal services	73 136	99.7	53 255	72.6	251	0.3	73 387	100
Wholesaling/ retailing	896 102	99.5	712 939	79.2	4 182	0.5	900 284	100
Finance and insurance	29 959	99.1	28 821	95.4	259	0.9	30 218	100
Real estate and goods rental and leasing	319 221	99.9	311 568	97.5	296	0.1	319 517	100
Scientific research and professional and technical services	188 455	99.7	160 861	85.1	622	0.3	189 077	100
Accommodations and food services	544 281	99.9	464 989	85.3	759	0.1	545 040	100
Life-related, entertainment and recreation services	382 304	99.9	353 250	92.3	542	0.1	382 846	100
Education and learning support	107 479	99.9	94 409	87.7	129	0.1	107 608	100
Medical, healthcare and welfare	210 326	99.9	146 427	69.5	258	0.1	210 584	100
Compound services	3 492	100	3 478	99.6	1	0	3 493	100
Services (not otherwise classified)	138 157	99.3	96 393	69.3	1 004	0.7	139 161	100
Non-primary industry, total	3 809 228	99.7	3 252 254	85.1	11 110	0.3	3 820 338	100

Note: Number of enterprises = Number of companies + Business establishments of sole proprietors (independent establishments and head offices).
Source: (OECD, 2017[1]).

23.2. National policy framework to support SMEs in public procurement

The objective of supporting SMEs in public procurement is elaborated in the Act on Ensuring the Receipt of Orders from the Government and Other Public Agencies by Small and Medium-sized Enterprises, and the Basic Policy on State Contracts with Small and Medium Enterprises. This Basic Policy sets the goal for each fiscal year, including the target amount and the ratio of contracts with SMEs and micro-enterprises to the total budget

of state contracts. Cabinet approval was given on 28 August 2015 for setting 54.7% as the target contract ratio among SMEs and micro-enterprises in fiscal 2015, and for roughly doubling the ratio of state contracts with new SMEs over the three years from fiscal 2015 to 2017, compared to fiscal 2014 (estimated at around 1%).

23.3. Implementation mechanisms

As a follow-up to the Basic Policy, a white paper[1] was produced that included the following:

- The Minister for Economy, Trade and Industry issued a request regarding the Cabinet approval of the Basic Policy on State Contracts with Small and Medium Enterprises to the heads of each agency and ministry, prefectural governors, all municipal mayors, and mayors of the Tokyo special wards (1 805 organisations), and also requested that they make efforts to increase opportunities for SMEs and micro-enterprises to receive orders.
- From August to September, 50 information sessions (Councils to Promote Local Access to Public Sector Demand) were held throughout Japan to actively raise awareness of the Basic Policy in regional areas.
- A conference was organised to discuss policies for information sharing and co-operation regarding initiatives to promote procurement from new SMEs in regional areas.
- A "Guide to contracts in the public sector" was produced and distributed to central and local government agencies and other commerce and industry-related organisations.

23.4. Monitoring performance

The Small and Medium Enterprises Agency measures the share of contracts awarded to SMEs.

Note

[1] www.chusho.meti.go.jp/sme_english/index.html

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

24. Korea

24.1. SMEs in the national economy

SMEs constituted 99.9% of Korean enterprises in 2013; the vast majority of these were micro-enterprises employing up to 9 employees (93.2% of employer enterprises). Small and medium enterprises accounted for another 6.7% of all employer enterprises. Large enterprises with more than 250 employees constitute only 0.1% of all employer enterprises.

Table 24.1. Distribution of firms in Korea, 2013.

(By firm size, percentage of all firms)

Firm size (employees)	Number	%
All firms	2 798 139	100
SMEs (1-249)	2 795 865	99.9
Micro (1-9)	2 608 672	93.2
Small (10-49)	162 170	5.8
Medium (50-249)	25 023	0.9
Large (250+)	2 274	0.1

Note: Data includes financial enterprises with the exception of holding companies (ISIC Rev. 4 sector 642).
Source: (OECD, 2017[1]).

24.2. National policy framework to support SMEs in public procurement

Supporting SMEs is a priority at the Public Procurement Service (PPS), the central purchasing government agency in Korea. Thus, SME consideration is reflected in the policy and the operations of PPS, which co-operates with the Ministry of SMEs and Startups, the main government body for supporting SMEs.

PPS provides support to SMEs in public procurement through a number of measures. These include the following:

- Set-side products, identified by the Small and Medium Business Administration (SMBA), are exclusively procured from SMEs.
- SMEs are given bid preferences, by being given additional points in eligibility tests.
- Contracting authorities can purchase products that are certified as "Excellent Products on Government Procurement" directly.
- A network loan policy whereby SMEs can obtain loans from partner banks for carrying out PPS contracts at low interest rates.
- An upfront payment policy stipulating that procuring entities pay up to 70% of contract amount applies to contracts over USD 30 000 for goods and public works, and over USD 5 000 for services.
- Use of the Subcontract Management System for Government Contracts (SMSGC) helps promote fair and transparent subcontracting practices. It especially allows for

project owners to effectively monitor the subcontracting processes for government projects.

SME consideration is also reflected in policies on green public procurement and public procurement for innovation, including:

- Minimum Green Product Purchasing, which applies to goods contracted through the Multiple Award Schedule, run by PPS.
- "Venture Nara", a specialised e-platform launched in 2016, which helps ventures and start-ups promote their new technology and innovative goods and services. Through this platform, user entities can directly search and order new innovative items.
- Priority purchase for SME-developed technology products which account for at least 10% of SME purchases).
- A purchase-conditioned new product development policy.

24.3. Implementation mechanisms

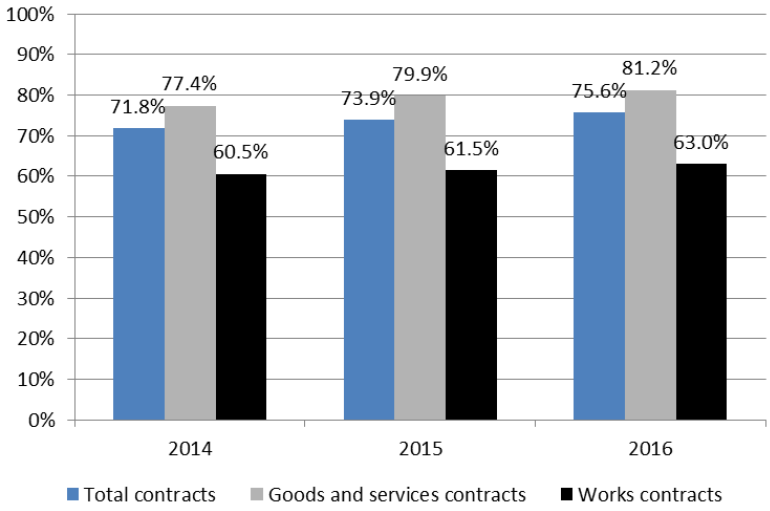
PPS hosts period roundtable meetings with SMEs, and – through various online channels – recognises their needs and collects their opinions. Furthermore, Public Procurement Training Institute, which is under PPS, runs training for all suppliers (a total of 2 744 suppliers were trained in 2016) on topics such as framework contracts; quality management policies; determining contract prices and construction claims; and how to register and use new e-procurement platforms for start-up companies.

24.4. Monitoring performance

Korea considers the nature of each industry (different thresholds concerning the number of employees and annual sales for each industry) when defining SMEs. The status identification process for SMEs takes place during the supplier registration process and continues through the entire contracting process through KONPES (Korean e-Procurement System).

Korea monitors SME participation in public procurement in terms of the value of contracts awarded to them (Figure 24.1). This is made available through the KONEPS and Public Procurement Statistics System which collect procurement spending data from public entities.

Figure 24.1. Share of contracts in terms of value awarded to SMEs in Korea, 2014-16



Source: Country response to the 2017 OECD survey on strategic use of public procurement to support SMEs.

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

25. Latvia

25.1. SMEs in the national economy

SMEs in Latvia play an important role in the "non-financial business economy". They contribute to almost 80% of total employment and more than 70% of the value added.

Table 25.1. Basic figures of the non-financial business economy of Latvia, 2015

	Number of enterprises		Number of persons employed		Value added	
	Number	Share	Number	Share	(in billion EUR)	Share
Total	103 040	100.0%	613 854	100.0%	10.5	100.0%
SMEs	102 842	99.8%	484 689	79.0%	7.6	72.1%
Micro	96 147	91.4%	193 548	31.5%	2.5	23.3%
Small	7 276	7.1%	147 929	24.1%	2.3	22.3%
Medium-sized	1 419	1.4%	143 212	23.3%	2.8	26.5%
Large	198	0.2%	129 165	21.0%	2.9	27.9%

Note: These are estimates for 2015 produced by DIW Econ, based on 2008-13 figures from the Structural Business Statistics Database (Eurostat). The data cover the non-financial business economy, which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry or fisheries, or largely non-market service sectors such as education and health. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.
Source: (European Commission, 2017[1]).

25.2. National policy framework to support SMEs in public procurement

Levelling the public procurement playing field for SMEs is reflected in principles promoted in the public procurement regulations – such as free competition of suppliers and equal and fair treatment. Supporting SMEs, and in particular facilitating their access to public procurement as one of the prime focal points of European Union public policy, is also integrated into Latvia's legal framework. Furthermore, Latvia devotes efforts to reducing administrative burden for SMEs, especially through wider use of e-procurement.

25.3. Implementation mechanisms

The Procurement Monitoring Bureau provides guidance to contracting authorities and suppliers. It offers methodological assistance and consultations, and organises training for contracting authorities and suppliers of goods, services and works. Workshops organised by the Bureau also cover the use of e-procurement – such as use of the e-certificate system.

26. Lithuania

26.1. SMEs in the national economy

SMEs in Lithuania are defined by the Republic of Lithuania Law on Small and Medium-sized Business Development (Ministry of Economy of the Republic of Lithuania, 2017[1]). The law defines micro-enterprises as businesses with fewer than 10 employees and less than EUR 2 million in annual turnover; small enterprises as businesses with fewer than 50 employees and an annual turnover below EUR 10 million; and medium-sized enterprises as those with fewer than 250 employees and less than EUR 50 million in annual turnover (Ministry of Economy of the Republic of Lithuania, 2017[1]).

SMEs in Lithuania are significant actors in the "non-financial business economy". They contribute to more than three-fourths of total employment and approximately 70% of value added.

Table 26.1. Basic figures of the non-financial business economy of Lithuania, 2015

	Number of enterprises		Number of persons employed		Value added	
	Number	Share	Number	Share	(in billion EUR)	Share
Total	157 121	100.0%	912 424	100.0%	13.1	100.0%
SMEs	156 820	99.8%	695 446	76.2%	9.2	70.3%
Micro	143 843	91.5%	249 289	27.3%	2.3	17.3%
Small	10 913	6.9%	230 129	25.2%	3.3	25.0%
Medium-sized	2 064	1.3%	216 030	23.7%	3.7	28.1%
Large	301	0.2%	216 978	23.8%	3.9	29.7%

Note: These are estimates for 2015 produced by DIW Econ, based on 2008-13 figures from the Structural Business Statistics Database (Eurostat). The data cover the non-financial business economy, which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry or fisheries, or largely non-market service sectors such as education and health. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.
Source: (European Commission, 2017[2]).

26.2. National policy framework to support SMEs in public procurement

The new version of the Lithuanian public procurement law came into force 1 May 2017, transposing EU Directive 2014/24/EU (Ministry of Economy of the Republic of Lithuania, 2017[1]). The new law promotes SMEs participation in public procurement.

The Strategy of Lithuanian Public Procurement System Development and Growth during 2009-13, which aimed at ensuring the transparency and efficiency of public procurement, promotes SMEs participation, green procurement and innovation. The main goals relating to SME participation in public procurement were achieved, and new strategy was not passed.

26.3. Implementation mechanisms

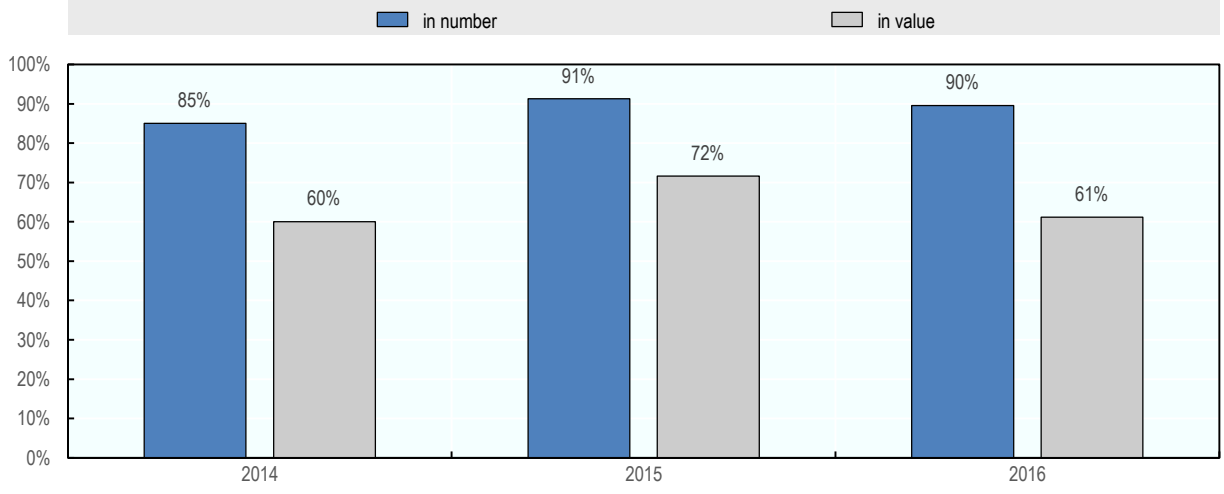
The Public Procurement Office prepares recommendations and guidelines for proper implementation of the Law on Public Procurement. This includes educational material that is accessible on line (educational films, tests, briefings on certain issues, infographics, etc.). All these documents are free of charge and freely available in the Central Public Procurement Information System and on the Public Procurement Office website.

26.4. Monitoring performance

In 2014, the Ministry of Economy published guidelines on innovative public procurement. These guidelines describe how public procurers can buy goods, services or works of better quality that are more adapted to their needs, and services or goods that could enhance the performance of public procurers and the quality of their services, and increase demand for innovation on the market. There are no special provisions for SMEs.

No methodology is used to undertake assessment of SMEs in public procurement. The Strategy of Lithuanian Public Procurement System Development and Growth during 2009-13 has been prepared through collaboration with a broad range of stakeholders, including from the business sector. In 2014 the percentage of contracts awarded to SMEs was 78.3%. In the following years such an analysis has not been conducted.

Figure 26.1. Contracts awarded to SMEs in Lithuania, 2014-16



Note: Data available online at:
https://2007.cpo.lt/index.php?option=com_reports&task=report&rid=vpt_2012&btn_annualReportShow=1.
Source: Country response to the 2017 OECD survey on strategic use of public procurement to support SMEs.

References

European Commission (2017), *SBA Fact Sheets 2016*, http://ec.europa.eu/DocsRoom/documents/22382. [2]

Ministry of Economy of the Republic of Lithuania (2017), *Small and Medium-Sized Business*, https://ukmin.lrv.lt/en/sector-activities/business-environment/small-and-medium-sized-business (accessed on 02 July 2018). [1]

27. Mexico

27.1. SMEs in the national economy

SMEs play a strategic role within the Mexican economy. According to the National Survey of Productivity and Competitiveness for Micro, Small and Medium Enterprises (ENAPROCE), conducted for the first time in 2015 by the National Institute of Statistics and Geography (INEGI), there are 4 million SMEs in Mexico, which account for 99.7% of all private enterprises and represent 62.6% of private-sector employment, as well as 35.2% of national total gross production.

Table 27.1. Distribution of firms in Mexico, 2014

(By firm size)

	Number enterprises	% of total enterprises	% of private sector employment	% of national total gross production
Micro	3 952 422	97.3	47.2	12.4
Small	79 367	2	8.4	9.5
Medium	16 754	0.4	7	13.3
Large	10 917	0.3	37.4	64.8
Total	4 059 460	100	100	100

Source: (OECD, 2017[1]).

27.2. National policy framework to support SMEs in public procurement

The National Development Plan for 2013-18 (Plan Nacional de Desarrollo 2013-18) includes Program for a Close and Modern Government (Programa para un Gobierno Cercano y Moderno, PGCM). The Law for the Development of the Competitiveness of the Micro, Small and Medium Enterprise, promotes national economic development through the creation of micro, small and medium enterprises and support for their viability, productivity, competitiveness and sustainability Its objective is to increase SME participation in the markets, within a framework of increasing productive chains that generate greater national benefit. The law includes a provision specifically promoting SME participation in public procurement, as a tool to achieve the objective.

Public procurement policies are co-ordinated with other policies through the goals established in the National Development Plan, which contains the above-mentioned PGCM. This programme has strategies and lines of action to reach secondary objectives through public procurement, and those lines of action are linked with the objectives and provisions of other programmes. For example, the Production and Sustainable Consumption Program has an objective of increasing sustainable public procurement. To achieve this objective it incorporates the strategy of promoting economical instruments that will encourage green and inclusive growth; a line of action for this strategy is to promote procurement of sustainable goods and services from SMEs. The PGCM also has the

objective of improving government public management; one line of action to meet this objective is to promote adoption of sustainable criteria in public procurement. The Law of Acquisitions, Leases and Services of the Public Sector (LAASSP) includes a number of provisions to support SMEs:

- It places the Ministry of Economy (Secretaría de Economía) in charge of promoting SME participation in public procurements.
- The agencies will have to gradually increase the share of SME awarded contracts to reach 35%35% of the total volume.
- When the production process is up to 60 days, agencies can make 10% to 50% of the payment in advance when the procurement involves national SMEs.
- In cases of evaluation by points and percentage, the agencies have to give extra points to small and medium enterprises when they produce goods with innovation technology in accordance with the Mexican Institute of Industry Property (IMPI).
- In equal conditions, preference will be given to bidders that are affiliated with national SMEs.

27.3. Implementation mechanisms

The Ministry of Economy and Ministry of Public Administration (Secretaría de la Función Pública, SFP) work together to train public servants in order to support SMEs. Furthermore, training and workshops are carried out with a specific focus on supplier registration and use of the e-procurement platform, CompraNet.

27.4. Monitoring performance

The Ministry of Economy has developed statistics regarding the goal involving the share of contracts awarded to SMEs. This goal considers the total amount of the Federation's Expenditure Budget and reviews the Annual Programs of Acquisitions, Leases and Services and of Public Works and Related Services.

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

28. The Netherlands

28.1. SMEs in the national economy

SMEs comprised 99.8% of Dutch enterprises and employed 65.2% of the labour force in 2015.

Table 28.1. Distribution of firms in the Netherlands, 2015

(By firm size, percentage of all firms)

Firm size (full time employees)	Number	%
All firms	1 054 958	100
SMEs (0-250)	1 053 299	99.8
Micro (0-9)	1 001 720	95
Small (10-49)	42 755	4.1
Medium (50-250)	8 824	0.8
Large (250+)	1 659	0.2

Note: Number of employees refers to full-time employees. All industries are included, as are non-employer enterprises.
Source: (OECD, 2017[1]).

28.2. National policy framework to support SMEs in public procurement

Facilitating SME access to the public procurement market is part of the Dutch Government's purchasing strategy. An important measure to that end is the provision in the Dutch Public Procurement Act that prohibits contracting authorities from unnecessarily clustering contracts (article 1.5). Because of this provision, contracting authorities must consider the structure of the relevant market and the influence of clustering on SME access. If a contracting authority decides to cluster contracts, it must state the reason for this clustering. Besides this, the mandatory Proportionality Guide (Gids Proportionaliteit in Dutch) requires that contracting authorities strengthen the position of SMEs by allowing the contracting authorities to only impose requirements that are proportionate to the object and scope of the public contract. These measures have slightly improved SME participation in public contracts.

In the Netherlands, contracting authorities at local or regional level function independently from the central government and therefore may have their own strategies in place to support SMEs. This is of course constrained by legislation guaranteeing non-discrimination in tender procedures.

28.3. Implementation mechanisms

During the process of implementing the European directives (2014/14/EU) by amending the Dutch Public Procurement Act (Aanbestedingswet 2012) in 2016, there was

consultation with the branch organisation of SMEs (MKB Nederland). Furthermore, all SMEs had the opportunity to comment on the Act through Internet consultation. SMEs were also involved during evaluation of the Dutch Public Procurement Act in 2015: they were asked about their experiences with the Act. As a result of this evaluation it was concluded that the problems were mainly due to the practical application of the Act, and not the act itself. To overcome these practical problems, the project Better Public Procurement (Beter Aanbesteden) was launched in 2016 by the Dutch Government. In this project, SMEs work together with contracting authorities across different regions to identify constraints and develop concrete actions to improve the practice of public procurement. The constraints and actions are also discussed at a national level, and different branch organisations of SMEs are also consulted in these discussions.

Moreover, PIANOo, the Dutch Public Procurement Expertise Centre, encourages contracting authorities to take measures to improve the participation of SMEs in the tender procedure. Examples of these measures are, among others:

- organising local meetings with representatives of SMEs on a regular basis
- providing SMEs with detailed information about the procurement process
- discussing the criteria of the tender before the procurement process
- making SMEs aware of the possibility of creating a combination or consortium in tenders
- considering direct payment to subcontractors.

28.4. Monitoring performance

Two years after its entry into force, the Dutch Public Procurement Act of 2012 was evaluated by the Dutch Government. The goal of the evaluation was to examine the effects of the law in relation to the ambitions in the Act's drafting:

- enhancing access for companies – especially SMEs – to government contracts
- standardising the procurement practice
- creating room for innovation and sustainability
- decreasing administrative burdens
- increasing compliance with the procurement rules.

For more information on the methodology and the results of the evaluation, please see Box 5.2.

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

29. New Zealand

29.1. SMEs in the national economy

Small businesses dominate in New Zealand, with 99% of enterprises classified as SMEs (less than 50 employees) in 2015. These firms had 880 120 employees, representing around 43% of the country's workforce.

Table 29.1. Distribution of firms in New Zealand, 2015

(By firm size, percentage of all firms)

	Number	%
Zero employees	353 070	70.3
Micro (1-5)	97 293	19.4
Small (6-19)	37 239	7.4
Small-medium (20-49)	9 459	1.9
Medium (50-99)	2 847	0.5
Large (100+)	2 262	0.4
Total	**502 170**	**100**

Source: (OECD, 2017[1]).

29.2. National policy framework to support SMEs in public procurement

The country's approach to supporting SMEs in public procurement comprises making engagement with government easier for all businesses, rather than allowing preference, arranging set-asides, or imposing content requirements for particular types of businesses. Government policy focuses on the "ease of doing business" for all businesses in New Zealand. To that end, procurement policy aims to treat all businesses fairly, be open and transparent, simplify processes and documentation, and encourage good procurement practice.

Some of the key procurement measures to facilitate access for all businesses, including SMEs, to public procurement market include:

- reducing compliance costs, for example through government model contracts, tender documents and simple Government Rules of Sourcing
- making information available on line – e.g. through the Government Electronic Tenders Service
- providing online resources/tools for businesses operating in New Zealand
- early notice of procurement opportunities
- guidance for procurement in the social sector.

29.3. Implementation mechanisms

The central purchasing body (CPB) carries out informational sessions for New Zealand businesses – such as introductory courses on the Government Rules of Sourcing and workshops for suppliers around the country centred on accession to the World Trade Organization Government Procurement Agreement (WTO GPA). Furthermore, the CPB provides information for Regional Business Partners (contracted by government to provide information to local businesses and, if appropriate, funding) and business and industry associations to work with local businesses interested in tendering to government and other large organisations.

Further guidance is provided for contracting authorities as well as for suppliers, which is available on line.

29.4. Monitoring performance

The Procurement Capability Index (PCI) self-assessment enables an agency to identify its strengths and weaknesses in relation to its procurement capability, and benchmark its performance against "best in class" expectations and other agencies. Completing the PCI self-assessment annually can help agencies track actual, measurable improvements in their procurement capability at the agency level over time

Agencies can use their PCI self-assessment results to put together their agency procurement capability plan. They can provide information on those areas where agencies need to devote greater efforts in order to reach an acceptable level of performance, or take a high-performing team to the next level.

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

30. Norway

30.1. SMEs in the national economy

The bulk of employer firms are SMEs, employing between 1 and 249 employees and accounting for 99.5% of total firms with employees. When defining SMEs as firms having less than 250 employees – the definition in several EU countries – virtually all Norwegian firms are classified as SMEs, which would be too high with respect to the structure of Norwegian businesses (OECD, 2017[1]).

Table 30.1. Distribution of firms in Norway, 2013

By firm size.

Firm size (employees)	Number	%
Total firms	*437 247*	
Firms with 0 employees	*284 525*	
Employing firms	**152 722**	**100%**
SMEs (1-249)	152 030	99.5%
1-9	124 345	81.4%
10-49	24 145	15.8%
50-99	2 239	1.5%
100-249	1 301	0.9%
Large (250+)	692	0.5%

Source: (OECD, 2017[1]).

30.2. National policy framework to support SMEs in public procurement

No specific strategy or policy that defines objectives of supporting SMEs in the public procurement system is developed in Norway. However, the government promotes the possibilities in national legislation for public procurement to facilitate SMEs' participation in that market. As part of its implementation of the public procurement directive, Norway has conducted several changes in national legislation (i.e for public procurements under the EU thresholds). The main purpose of the new national legal framework was to simplify the rules and highlight the strategic use of public procurement, including procurement for innovation and the participation of SMEs. The latest public procurement regulation was introduced on 1 January 2017.

Following introduction of the changed rules, the Minister of Trade, Industry and Fisheries sent a letter to over 700 contracting authorities, encouraging them to:

- get to know the market and not impose stricter requirements than necessary
- publicise smaller-value contracts in the market, e.g. through voluntary announcements

- consider division of contracts into lots
- use balanced agreements/contracts, preferably standardised contracts.

30.3. Implementation mechanisms

To promote the use of public procurement for innovation, the National Programme for Supplier Development was established in 2010. The programme's role is to help public purchasers engage with the market about their need to plan and prepare procurement processes, and to mobilise suppliers to participate in these. Experience shows that early market engagement is a good arena for SMEs to position themselves to compete for public contracts. The programme is co-owned by Difi (the Agency for Public Management and eGovernment), the Confederation of Norwegian Enterprise (NHO) and the Norwegian Association of Local and Regional Authorities, representing both the contracting authorities and the suppliers. More than 120 procurement projects have been carried out and systematically evaluated. The projects have brought about several new solutions, savings and socio-economic impacts. The lessons learned from these projects are communicated by the programme and Difi.

In addition, several workshops and seminars on how to facilitate increased SME participation in public procurements were organised to provide guidance to contracting authorities. Difi, through its department for public procurement and its Governmental Procurement Centre, also provides guidance to SMEs on how to participate in public procurement processes and how to bid on line. It has moreover launched sector-specific workshops on "balanced procurement", where procurers and suppliers (including SMEs) work together for better procurement processes.

30.4. Monitoring performance

There is no obligation to monitor the performance of SME participation in public procurement.

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

31. Poland

31.1. SMEs in the national economy

SMEs in Poland play an important role in the "non-financial business economy". They represent approximately 70% of total employment and more than half of value added.

Table 31.1. Basic figures of the non-financial business economy of Poland, 2015

Estimates for 2015 based on figures from the Structural Business Statistics Database (Eurostat)

	Number of enterprises		Number of persons employed		Value added	
	Number	Share	Number	Share	(in billion EUR)	Share
Total	1 542 842	100.0%	8 480 267	100.0%	189.0	100.0%
SMEs	1 539 794	99.8%	5 844 904	68.9%	98.9	52.3%
Micro	1 466 188	95.0%	3 074 929	36.3%	33.9	17.9%
Small	58 900	3.8%	1 226 673	14.5%	26.8	14.2%
Medium-sized	14 706	1.0%	1 543 302	18.2%	38.2	20.2%
Large	3 048	0.2%	2 635 363	31.1%	90.1	47.7%

Note: These are estimates for 2015 produced by DIW Econ, based on 2008-13 figures from the Structural Business Statistics Database (Eurostat). The data cover the non-financial business economy, which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry or fisheries or largely non-market service sectors such as education and health. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.
Source: (European Commission, 2017[1]).

31.2. National policy framework to support SMEs in public procurement

In Poland the main measures to facilitate SME participation in public procurement are provisions of the Public Procurement Law (PPL) of 22 June 2016. Instruments included in the PPL support the participation of SMEs in procurement procedures, including:

- Division of the contract into lots.
- Proportional conditions established for participation in the contract award procedure.
- Direct payments to subcontractors.
- Self-declarations.
- The possibility for economic operators to rely on the capabilities of other entities (SMEs).
- A limitation on the financial standing requirement. The contracting authority cannot require that the minimum yearly turnover of the economic operator exceed twice the amount of the contract.
- Limited requirements related to necessary documents. An economic operator is not obliged to submit declarations or documents, if the contracting authority holds declarations or documents concerning the economic operator that are still valid, or

can obtain them through free-of-charge and generally accessible databases, in particular public registers.

Procuring entities follow obligatory instruments supporting SMEs participation (for instance limitation of the financial standing requirement), and are free to apply other voluntary instruments provided for in the PPL (e.g. contract division into lots or direct payments to subcontractors), as well as develop their own instruments to support SMEs.

Support to SMEs, including in the area of public procurement, is indicated as an objective in the Responsible Development Plan and Strategy (2016-20). One of more general objectives of the Plan is to provide SMEs with more leeway for growth and development, and focus more on comprehensive support for business. The SME package foreseen for implementation is mainly meant to address succession in family-run firms; reduced licensing; and swifter legal proceedings. Regarding the SMEs and public procurement intersection, the objective is to increase the share of SMEs in the public procurement portfolio and facilitate SME access to procedures. The concept of "intelligent public procurement" is developed with the aim of addressing that objective. Intelligent public procurement is expected to spur development of the economy and the job market, generating an entrepreneurship that will result in growth for companies (especially SMEs).

31.3. Implementation mechanisms

The Public Procurement Office (PPO) has prepared a guidebook on new public procurement directives; the book includes a chapter on measures that support SME participation in public procurement. General and specific training sessions and workshops for SMEs are provided by the Polish Agency for Enterprise Development (PARP).

In 2008, the Council of Ministers adopted a document titled, "The new approach to public procurement: Public procurement and SMEs, innovation and sustainable development". On the basis of this document the PPO and the PARP launched and implemented the "New Approach" project (2010-13). Activities performed within the framework of the project aimed at advancing the level of green, social, electronic and innovative procurement, as well as enhancing the participation of SMEs as contractors in procurement procedures. The project component addressing SMEs participation has been focused on training, consultancy and other knowledge dissemination activities. The outcome of the "New Approach" project included 48 two-day training courses for local, regional and central-level administrations awarding public contracts, with 1 013 participants representing 646 institutions and entities; 3 conferences targeting all kinds of procurement market players; 3 conferences targeting auditors of Regional Chambers of Accounts as well as the Supreme Audit Office; and the elaboration of 28 publications and 19 journal articles.

In 2017 and 2018, the PPO has been carrying out the project "Effective public procurement – Strengthening the administrative capacity", co-financed by the European Social Fund. The project is directed to contracting authorities and contains, among others, an SME-related component. Contracting authorities are trained in SME-friendly procurement procedures, covering topics such as defining SMEs; the European code of best practices supporting SMEs in public procurement; SME-friendly procedure planning; division of contracts into lots; descriptions of the subject matter, exclusions and conditions for participation in tenders, relying on the resources and capabilities of other entities (SMEs); SME-friendly declarations and documents; subcontracting; and advance payments prior to completion of a public contract. One thousand and forty persons representing contracting

authorities are to be trained to the end of 2018 during 52 two-day training sessions. The project is to be continued in 2019 and 2020.

31.4. Monitoring performance

Data regarding the number of SMEs winning and participating in procurement procedures are collected as from June 2016, since the latest PPL amendment.

Some of the results of public procurement procedures above EU thresholds for 2017 are as follows:

- SMEs submitted 66.5% of the offers in Polish public procurement notices published in the EU *Tenders Electronic Daily* (public procurement procedures above EU thresholds).[1]
- Approximately 55 980 contracts (including lots) above EU thresholds have been awarded to SMEs, which represents about 45% of the contracts (in terms of number) awarded in Poland in 2017.[2]
- In 2017, the value of contracts above EU thresholds awarded to SMEs in Poland was approximately PLN 46 963 169 700 (approximately EUR 11 248 932 836). This corresponds to about 41% of the total value of Polish public procurement above EU thresholds in 2017.[3]

Notes

[1] Data elaborated on the basis of contract award notices published in 2017 by Polish contracting authorities in the *Official Journal of the European Union – Tenders Electronic Daily* (TED_CAN_2017.csv – file available at the EU Open Data Portal https://data.europa.eu/euodp/en/data/dataset/ted-csv).

[2] Data elaborated on the basis of contract award notices published in 2017 by Polish contracting authorities in the *Official Journal of the European Union – Tenders Electronic Daily* (TED_CAN_2017.csv – file available at the EU Open Data Portal https://data.europa.eu/euodp/en/data/dataset/ted-csv).

[3] Data elaborated on the basis of the annual reports on contracts awarded in 2017 submitted by contracting authorities to the President of the Public Procurement Office in accordance with Article 98 of the Public Procurement Law.

Reference

European Commission (2017), *SBA Fact Sheets 2016*, http://ec.europa.eu/DocsRoom/documents/22382. [1]

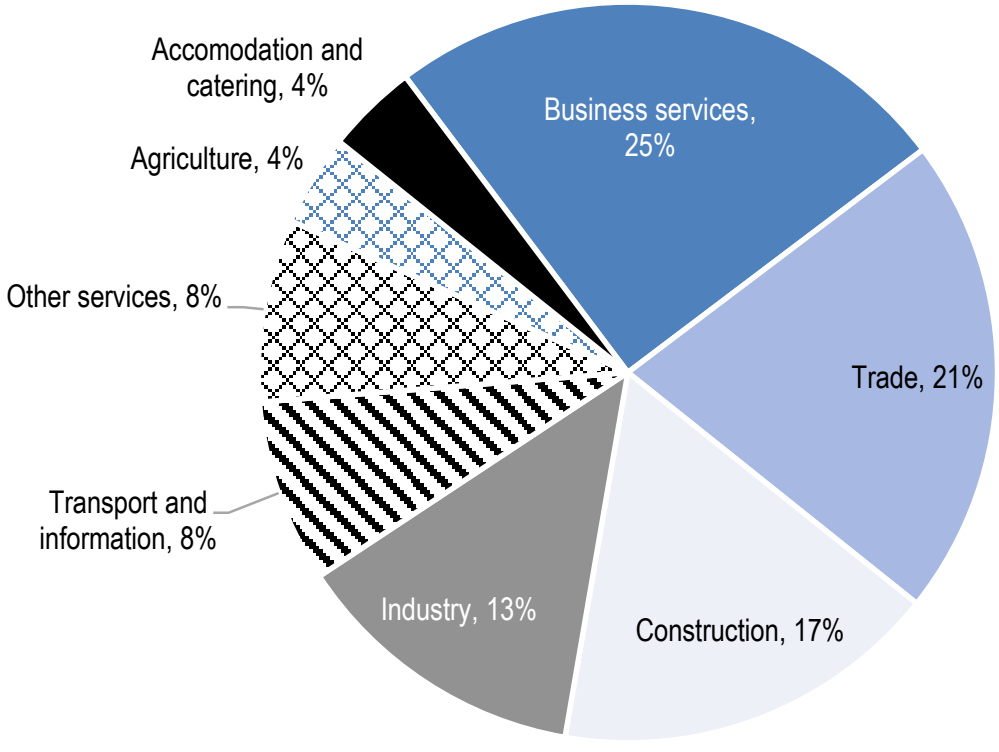
32. Slovak Republic

32.1. SMEs in the national economy

SMEs dominate the Slovak economy, accounting for 99.9% of the total number of business entities. They provide employment in the business economy – nearly three-quarters (73.8%) of the active labour force – and account for more than half (53.6%) of the added value created in 2017. Micro-enterprises employing less than 10 employees make up 96.9% of small and medium-sized enterprises. More than three-quarters of small and medium-sized enterprises are active in sectors such as business services, trade, construction and industry (Slovak Business Agency, 2018[1]).

In terms of sectoral structure, over one-quarter (25.2%, 142 906) of active SMEs performed their main activities in business services (section SK NACE[1] K to N). Their share was slightly lower – 21.2% (or 120 178) – in the trade sector, followed by the construction sector (16.7%) and the industry sector (13.3%) (see Figure 32.1).

Figure 32.1. Sectoral structure of SMEs in the Slovak Republic, 2017



Source: (Slovak Business Agency, 2018[1]).

32.2. National policy framework to support SMEs in public procurement

In transposing the EU directive on public procurement of 2014, the Slovak Republic has embedded certain measures into their public procurement system that can facilitate SME access.

By splitting contracts into small lots, the focus area is more open to SME access to public resources. Other potential benefits of contract splitting are support of local employment, and promotion of a competitive environment; thus it can help other entrepreneurs participate in public procurement and reduce dependence on one supplier. Pursuant the Section 28 pt. 1 of the Public Procurement Act, the contracting authority dealing with such contracts above the threshold limit is not obliged to split the contract into small parts; pursuant Section 28 pt. 2 of Act, however, (with the exception of concessions) if the authority does not do so, they have a legal obligation to justify that decision in the contract notice.

Working groups on green public procurement and public procurement for innovation have taken SMEs into consideration when preparing documentations and manuals.

32.3. Implementation mechanisms

The Public Procurement Office of the Slovak Republic organises workshops and training for contracting authorities. One of the topics they cover is facilitating SME access to public procurement, and contracting authorities are instructed to split contracts into smaller lots when possible. It is also a topic of discussion for the Coordination Committee for Cooperation in Public Procurement, which includes all managing authorities involved in the European Structural and Investment Funds in Slovakia.

32.4. Monitoring performance

The Public Procurement Office monitors performance in the annual statistics of public procurement procedures. In 2017 saw the success in public procurement procedure of 2 094 economic operators from Slovakia and from abroad. Of all these successful economic operators, the share for SMEs was 88.9% and that for bigger enterprises 11.1%.

Table 32.1. Share of public procurement procedures awarded to SMEs

	Volume of contracts awarded		Number of contracts awarded	
	Amount (EUR mil)	Share (%)	Number	Share (%)
SMEs	1 744.969	43.6	1 861	88.9
Large enterprises	2 259.829	56.4	233	11.1
Total	**4 004.798**	**100**	**2 094**	**100**

Source: Country response to the 2017 OECD survey on strategic use of public procurement to support SMEs.

Note

[1] Statistical classification of economic activities in the European Community.

Reference

Slovak Business Agency (2018), *Small and Medium-sized Enterprises in Numbers, 2017*, http://www.sbagency.sk/sites/default/files/msp_v_cislach_v_roku_2017_infograf.pdf. [1]

33. Slovenia

33.1. SMEs in the national economy

In 2015, 99.6% of all firms in Slovenia were SMEs, and 89.1% of all firms employed fewer than 10 employees.

Table 33.1. Distribution of firms in Slovenia, 2015

(By firm size, percentage of all firms)

Firm size (employees)	Number	%
All firms	61 019	100
SMEs (0-249)	60 786	99.6
Micro (0-9)	54 362	89.1
Small (10-49)	5 276	8.6
Medium (50-249)	1 148	1.9
Large (250+)	233	0.4

Note: Data include enterprises in all industries but exclude non-employer enterprises and sole proprietors.
Source: (OECD, 2017[1]).

33.2. National policy framework to support SMEs in public procurement

The Public Procurement Act (*Official Gazette* no. 91/2015 and 14/18, ZJN-3) contains several measures to improve the access of SMEs to public procurements:

- Low national thresholds for publication of contract notices on the national procurement platform.[1]
- Simplification of the award procedure in the sense of demanding less evidence and supporting documents, and mandatory use of the European Single Procurement Document (ESPD) as preliminary evidence that exclusion and selection criteria have been met instead of different declaration forms.
- In small-value public procurements only self-declarations are admissible, and contracting authorities shall not be obliged to verify the existence or content of statements provided in the tender unless the contracting authority doubts the veracity of the tenderer's statements.
- Economic operators shall not be required to submit supporting documents or other documentary evidence if the contracting authority has the possibility of obtaining the relevant information directly by accessing it in a database or already possesses it from a previous procedure.
- Obligatory division of contracts into lots where the subject matter so permits and where this adds to the economy and efficiency of the performance of the contract.

- The possibility of providing direct payment to subcontractors where the subcontractor so requires, which provides greater transparency in the subcontractor chain.
- In line with principle of short supply chains, the contracting authority may exclude several lots from the tendering process rather than publishing them within the contract notice with the rest of the lots, provided that the estimated value of the excluded lots is less than EUR 80 000 and the aggregate value of the lots thus awarded without applying public procurement rules shall not exceed 20% of the aggregate value of all the lots into which the proposed acquisition of similar supplies or the proposed provision of services has been divided.

Supporting SMEs in public procurement is also expressed in a broader business policy for SMEs. From 2013 on, implementation of Small Business Act is included a Single Collection of Measures (Single document) , which contains specific identified measures, commitments, proposals for solutions, the responsible authorities and deadlines for realisation. Document itself standardised measures of several strategic documents, which have been logically grouped under sixteen areas, in the interests of creating a better business environment and increased competitiveness in the Slovenian economy. Also, there is unified reporting for all documents; thus reports to the government of the Republic of Slovenia will be transmitted three times a year.

SME support can also be observed in other policies dealing with strategic use of public procurement, such as green public procurement and social public procurement. Green public procurement – according to recently renewed Decree on Green Public Procurement (*Official Gazette* no. 51/2017), which entered into force 1 January 2018 – continues to be mandatory for more than 20 different types of subject matter. The Decree itself stipulates the environmental aspects that contracting authorities must consider and target for individual subject matter. It encourages the development of new green technologies and environmentally friendly products. In order to facilitate implementation of the Decree the recommendation on how to achieve targets was also prepared with explicit requirements and criteria for individual subject matter.

Regarding social public procurement, several provisions in national legislation are in place to support socially responsible procurement. These are as follows:

- The horizontal social clause is mandatory; thus all economic operators performing public procurement contracts shall comply with applicable obligations in the fields of environmental, social and labour law established by the EU, regulations in force in the Republic of Slovenia, collective agreements, and international environmental, social and labour law provisions.
- Contracting authorities may reserve the right to participate in public procurement procedures for sheltered workshops and employment centres (reserved contracts).
- Rejection of abnormally low tenders.
- The possibility of paying subcontractors directly.
- Various mandatory social exclusion grounds, selection and award criteria, and contract performing clauses.

In addition, considering the nature of labour-intensive activities, in particular the increased risk of non-respect of the social rights of employees (wages, working conditions etc.), two guidelines are currently in preparation to combat "social dumping":**]**

- Guidelines for the procurement of security services

- Guidelines for the public procurement of cleaning services.

These should give contracting authorities guidance and tips on how to integrate and measure quality in the public procurement process, while taking social aspects into account.

33.3. Implementation mechanisms

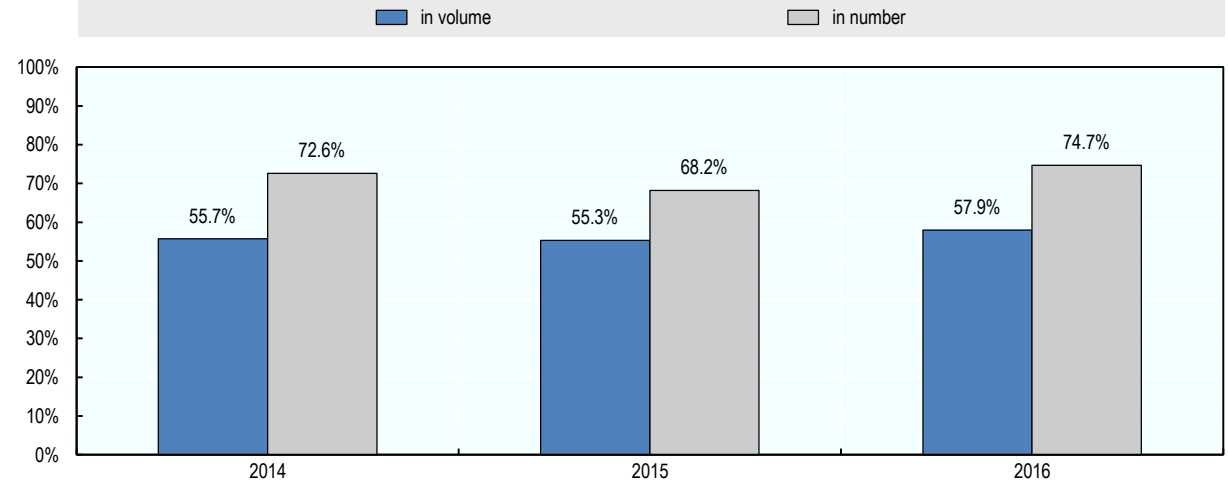
Striving to accelerate and effectively implement normative provisions in practice following adoption of the Public Procurement Act (ZJN-3), a road show was carried out in several regions of Slovenia as well as other theme-based educations and presentations. These are carried out on a continual basis, especially in order to provide training to the public procurement workforce. Furthermore, "help desk" service is provided, which is available to contracting authorities as well as to economic operators participating or interested in participating in public procurement procedures. The service provides prompt and expert assistance on relevant procurement issues.

Beside the Public Procurement Act (ZJN-3), several guidelines in various fields were adopted (e.g. Guidelines for the procurement of architectural and engineering services, works and information solutions, Recommendations concerning application of financial insurance in public procurement).

33.4. Monitoring performance

Slovenia measures the share of contracts awarded to SMEs (Figure 33.1). Due to changes in the standard forms for publication of notices from 1 April 2016, the share of bids submitted by SMEs, in addition to the share of contracts awarded to SMEs, will be made available.

Figure 33.1. Share of contracts awarded to SMEs in Slovenia



Source: Country response to the 2017 OECD survey on strategic use of public procurement to support SMEs.

Note

[1] National thresholds for public procurement in the classical sector: EUR 20 000 for goods, services and design contest, EUR 40 000 for works; in the infrastructure sector, EUR 50 000 for goods, services and design contest, EUR 100 000 for works. No national thresholds in place for social and other specific services.

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

34. Spain

34.1. SMEs in the national economy

Small and medium-sized enterprises dominate the Spanish economy, representing 99.9% of businesses and employing 76.4% of the business labour force. Of these, 95.6% were micro-enterprises, 3.7% were small enterprises and 0.6% were medium-sized enterprises.

Table 34.1. Distribution of firms in Spain, 2016.

(By firm size)

	Companies		Employees	
	Total number	Share in %	Total number	Share in %
Microenterprises (less than 10 employees)	3 134 042	95,58%	5 004 075	32,62%
Of which without employees	1 821 901	55,56%	-	-
Small enterprises (from 10 to 49 employees)	120 397	3,67%	2 891 509	18,85%
Medium enterprises (from 50 to 249 employees)	20 485	0,62%	2 290 510	14,93%
Large enterprises (More than 249 employees)	4 196	0,13%	5 154 459	33,60%
Total	**3 279 120**	**100,00%**	**15 340 553**	**100,00%**

Source: Spanish National Statistics Institute (INE) for number of companies and Ministry of Labor for number of employees.

34.2. National policy framework to support SMEs in public procurement

Act 14/2013 of 27 September 2013 on supporting entrepreneurs and their internationalisation contains a variety of measures to promote public procurement for SMEs – including reduction of administrative burdens, lowering thresholds for accessing lists of approved economic operators, and use of self-declaration to partake in the bidding on public contracts.

The new Law for Public Procurement – Law 9/2017 of 8 November 2017 on Contracts of the Public Sector – incorporates the measures of Act 14/2013 and new measures to support SMEs, such as:

- division into lots becoming the general rule whenever possible
- contracting authorities made able to monitor payments from contractors to subcontractors
- late payment legislation compliance reinforced
- self-declaration becoming the general rule to take part, and only the successful bidder has to present all the documents
- new simplified procedure for small contracts (less than EUR 100 000).

In addition, as a general business policy for SMEs, the Directorate-General for Industry and SMEs is defining a new strategic framework. In this framework, there will be a policy to facilitate access of SMEs to the public procurement market. Up to now, the Directorate-General has done several actions which include, among others:

- implementation of a guide to explain public procurement legislation
- communication of the European code of best practices for public procurement to the Ministries and regional governments.

34.3. Implementation mechanisms

The Directorate General for Rationalisation and Public Procurement Centralisation (DGRCC), as the Spanish CPB at the state level, procures most goods and services of general use in public administration, except for health products. The DGRCC holds meetings with SME associations in some cases and organises public sessions before launching new framework agreements or contracts which are open to all potential bidders. During the public sessions, the suppliers could raise questions and their opinions are heard through questionnaires answered by economic operators on different aspects such as lots, prices, market standards, etc.

34.4. Monitoring performance

SME participation is not currently measured, however, DGRCC is currently working on a new IT tool to process the data which is scheduled to be available from January 2018.

35. Sweden

35.1. SMEs in the national economy

SMEs account for 99% of all enterprises in Sweden as well as 60% of employment and 48% of value added. Most SMEs operate in services, wholesale trade and retail, and construction. There are relatively few Swedish small and medium enterprises in the manufacturing sector.

Table 35.1. Distribution of firms in Sweden, 2014.

(By firm size, percentage of all firms)

	Number	Share (in percent)		
Company size (employees)	Enterprises	Enterprises	Employment	Value added
All companies	290 331	100	100	100
SMEs (1-249)	286 327	99	60	48
Micro (1-9)	210 407	72	17	10
Small (10-49)	65 481	23	26	22
Medium (50-249)	10 439	4	17	17
Large (250+)	4 004	1	40	52

Note: SMEs are here defined in accordance with article 3 of directive 2013/34/EU. Limitations of population: only limited liability companies are included, and companies within NACE sectors 01-03 and 64-66 are excluded. Non-employer enterprises are excluded.
Source: (OECD, 2017[1]).

In the annual statistics report on public procurement (*Statistik om Offentlig Upphandling*), Sweden refers to the European Commission's classification of SMEs.

35.2. National policy framework to support SMEs in public procurement

The Swedish Government has adopted a National Procurement Strategy.[1] One of its seven policy objectives is to ensure a multiplicity of suppliers and well-functioning competition. In this strategy, the Swedish Government encourages contracting authorities to ensure that they actively strive to provide a real chance for small enterprises to participate in public procurement, for example by removing barriers such as excessive criteria for economic and financial capacity where such are unjustified.

35.3. Implementation mechanisms

Implementation of the National Public Procurement Strategy must be carried out by each contracting authority. However, the National Agency for Public Procurement has the specific task of implementing and following up on the strategy on the basis of its seven policy objectives. The Agency also offers support to SMEs, for instance through guidelines

such as "New public procurement legislation – What does this mean for you as a supplier?" It also offers a help desk service whereby SMEs can contact the agency to pose any question concerning public procurement.

In view of the results from the Agency's follow-up, work on the strategy within the contracting authorities will also be followed up in various ways by the government. At the level of the governmental authorities, this has already begun to take place in the form of inter-authority dialogue and a few specific governmental assignments.

As mandated by the Swedish Government, the National Agency for Public Procurement has initiated several activities in order to support implementation of the Strategy by contracting authorities. One of the initial initiatives was to conduct a survey on the contracting authorities' strategic use of public procurement (Trendens 2017, no. 1**,** www.upphandlingsmyndigheten.se/verktyg/trendens/).

Additionally, the National Agency for Public Procurement offers information, support and training, as well as other state agencies such as Sweden's innovation agency Vinnova and the Swedish Agency for Economic and Regional Growth.

35.4. Monitoring performance

The annual statistical report on public procurement, published by the Swedish Competition Authority and the National Agency for Public Procurement, measures the number of contracts awarded to SMEs. The survey of contracting authorities is also taken into account in assessing the SME support strategy in public procurement – especially the question, "Do you take efforts in facilitating for small suppliers' participation in your public procurements?"

In 2016, SMEs fewer less than 9 employees, or micro-enterprises, represented 40% of all bidders. For SMEs with fewer than 49 employees and more than 10, or small enterprises, the corresponding figure was 35%. However, the number of tenders submitted by micro and small enterprises that resulted in awarded contracts was only about 50%, and about 22% in terms of value (Table 35.2).[2]

Table 35.2. Public procurement payments by company size in Sweden, 2016

Payments from state, municipality and country council to third-party organisations

	Number of companies	Share in terms of number of companies	Share of companies' total number of employees	Share of companies' total sales	Total amount of payments for public procurement contracts (in SEK billion)	Share of public procurement contracts, in value
Micro enterprises	82 623	39%	12%	7%	59.1	8%
Small enterprises	21 729	10%	21%	15%	105.1	14%
Medium-sized enterprises	4 618	2%	20%	17%	115.8	15%
Large enterprises	1 251	1%	48%	61%	261.9	34%
Other organisations	102 386	48%	-	-	231.0	30%
Total	212 607	100%	100%	100%	773.0	100%

Source: (Swedish Competition Authority and The National Agency for Public Procurement, 2017[2]).

Notes

[1] www.upphandlingsmyndigheten.se/globalassets/english/procurement/national_public_procurement_strategy_english_web.pdf.

[2] https://www.upphandlingsmyndigheten.se/globalassets/publikationer/rapporter/rapport-2017_5-statistik-om-offentlig-upphandling-2016.pdf

References

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

Swedish Competition Authority and The National Agency for Public Procurement (2017), *Statistik om offentlig upphandling (Statistics on Public Procurement) 2017*, https://www.upphandlingsmyndigheten.se/globalassets/publikationer/rapporter/rapport-2017_5-statistik-om-offentlig-upphandling-2016.pdf. [2]

36. Switzerland

36.1. SMEs in the national economy

SMEs, defined as firms with fewer than 250 employees, constituted 99.3% of Swiss enterprises in 2013, employing 66.9% of the labour force. Micro-enterprises with up to 9 employees accounted for the majority of SMEs (69.6%), employing 16.5% of the country's workforce.

Table 36.1. Distribution of firms in Switzerland, 2013

(By firm size, percentage of all firms)

Firm size (employees)	Number	%
All firms	**132,760**	**100**
SMEs (1-249)	**131,766**	**99.3**
Micro (1-9)	92,423	69.6
Small (10-49)	33,938	25.6
Medium (50-249)	5,405	4.1
Large (250 +)	**994**	**0.7**

Note: Data include financial enterprises with the exception of holding companies (ISIC Rev. 4, sector 642). Non-employer enterprises are not included.
Source: (OECD, 2017[1]).

36.2. National policy framework to support SMEs in public procurement

The main focus for Switzerland in supporting SMEs in public procurement was ensuring favourable operating conditions for them. Swiss legislation does not provide specific advantages, restrictions, quotas or objectives for SME participation in government procurement. Rather, it takes into account the specific needs of SMEs and guarantees non-discriminatory, open and transparent competition in government procurement markets. Swiss SMEs' participation in international procurement markets constitutes one of the guiding principles of the country's policy. The WTO/GPA membership, the bilateral agreements with the EU on government procurement, and the free trade agreements with other trade partners are an important pillar of Swiss foreign economic policy. Such a legal framework guarantees non-discriminatory, open and transparent competition on government procurement markets, thereby contributing to increase SMEs' export opportunities and competiveness.

In particular, the following measures and practices are among the focus areas for Swiss policy to facilitate SME participation in government procurement.

Dividing contracts into lots, stipulated through the Ordinance on Government Procurement, enabled contracts to be better adapted to the size of SMEs. This way, SMEs are able to participate in large-scale procurement while not having to commit too many resources.

Additionally, the contracting authority can benefit from greater competition, less concentration of risks, and positive effects on value for money by enabling more bidders to participate.

Allowing bidders to group into consortia and to subcontract in order to facilitate access to important public procurement contracts are other measures foreseen by Swiss legislation.

Swiss legislation on public procurement also leaves sufficient room to introduce sustainability criteria in the procurement process, while ensuring that the core principles of non-discrimination and transparency apply.

In order to reduce the administrative burden for SMEs, confederation entities may have recourse to a tool known as the "Individual Declaration". This is a form used to collect information from bidders on the basic terms for a bidder's participation in a public bidding procedure. At the Federal level, bidders may register on a list if they meet the qualification criteria.

Swiss law also provides bidders with the opportunity to submit alternative solutions in their bids, in particular for contracts that include an innovative aspect. The alternative must enable the bidder to submit a bid that allows the object of the contract to be achieved in a manner different from that envisaged by the contracting entity. To ensure that the procurement meets the actual needs of the contracting entity over time, there must be a dialogue between the entity and the bidders.

36.3. Implementation mechanisms

The Swiss Government considers SMEs' needs very closely. With a policy specifically targeted at those needs, the federal government is invested in optimising the public procurement framework in a sustainable way. To that end, the Swiss Government holds regular exchanges and contacts with business operators. Furthermore, there is a dedicated webpage that provides information to suppliers on the public procurement portal. In addition to the regular training courses, contracting authorities are provided additional guidance through conferences, for example on bid partitioning and sustainable procurement.

There is an electronic platform (www.simap.ch) shared by the federal government, cantons and communes for public procurement purposes. It offers a simple procedure for public contract-awarding authorities to post their tenders and, if need be, any relevant tender documents. Interested suppliers are given an overview of all existing contracts across Switzerland and can download both the tenders and tender documents. They can also ask questions on a question/answer forum on the portal.

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

37. United Kingdom

37.1. SMEs in the national economy

At the start of 2015, there were around 5.4 million SMEs in the United Kingdom, of which 1.31 million were employer businesses. Of these employer businesses, 99.5% were SMEs with fewer than 250 employees. These SMEs employed 52% of the total UK private sector workforce. Micro-enterprises (fewer than 10 employees) account for 82% of employer businesses. Employer SMEs had a turnover of GBP 1.5 billion, accounting for 44% of total private sector turnover.

Table 37.1. Distribution of firms in the United Kingdom, 2015.

(By firm size, percentage of all firms)

Firm size (employees)	Number	%
All employers	1,311,865	100
SME (1-249)	1 304 900	99.5
Micro (1-9)	1 068 815	81.5
Small (10-49)	203 525	15.5
Medium (50-249)	32 560	2.5
Large (250+)	6 965	0.5

Source: (OECD, 2017[1]).

37.2. National policy framework to support SMEs in public procurement

The UK Government has a commitment that 33% of central government procurement spend will go to SMEs by 2022. That target encompasses both direct spend and that through the supply chain. Previously, the central government had a target of 25% by 2015, which has been achieved. With the central government target in place, each central government and their agencies have their own plan for how it will encourage the use of SMEs in its buying.

Public Contract Regulation 2015 includes provisions to facilitate SMEs' access to public procurement opportunities. Additional measures and policies, such as policy on prompt payment, contribute to this end. Some examples include advertising requirements on low-value contracts through Contracts Finder website and simplified procedures.

37.3. Implementation mechanisms

An "SME Panel" comprised of industry representatives from the SME community meets on a quarterly basis and acts as a critical stakeholder, giving advice on and making recommendations for the polices.

37.4. Monitoring performance

The status of a supplier is primarily self-certified and is assessed after the contracted is awarded. As the target is based on spend rather than contract values, the assessment is focused on the actual spend. Additionally, as the selection criteria are based on best commercial outcome, there is a need to ensure that the status of a supplier does not skew the commercial decision. The measurement of spend with SMEs is performed on an annual basis and each department has its own target and plan against which they are measured.

The United Kingdom also centrally monitors prompt payment of invoices. While there exists a statutory limit for invoice payment, which is under 30 days, 80% of the invoices were paid within 5 days (Crown Commercial Service, 2016[2]).

References

Crown Commercial Service (2016), *Central government prompt payment performance*, https://www.gov.uk/guidance/central-government-prompt-payment-performance. [2]

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

38. Bulgaria

38.1. SMEs in the national economy

SMEs in Bulgaria play an important role in the "non-financial business economy". They contribute to approximately two-thirds of total employment and more than half of value added.

Table 38.1. Basic figures of the non-financial business economy of Bulgaria, 2015

	Number of enterprises		Number of persons employed		Value added	
	Number	Share	Number	Share	(in billion EUR)	Share
Total	316 395	100.0%	1 909 777	100.0%	19.5	100.0%
SMEs	315 749	99.8%	1 450 274	66.8%	12.9	57.4%
Micro	288 956	92.8%	574 747	29.5%	4.2	21.2%
Small	22 615	6.0%	458 065	20.2%	4.3	18.0%
Medium-sized	4 178	1.0%	417 462	17.0%	4.5	18.2%
Large	646	0.2%	459 503	33.2%	6.6	42.6%

Note: These are estimates for 2015 produced by DIW Econ, based on 2008-13 figures from the Structural Business Statistics Database (Eurostat). The data cover the non-financial business economy, which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry or fisheries, or largely non-market service sectors such as education and health. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.
Source: (European Commission, 2017[1]).

38.2. National policy framework to support SMEs in public procurement

The National Strategy for Development of the Public Procurement Sector in Bulgaria over the period 2014-20 defines the objective of supporting SMEs in public procurement.

Bulgaria recognises that SMEs could benefit from public procurement rules that have been made simpler and more flexible in the new national procurement legislation, as well as from introduction of the mandatory e-procurement. More simplified procedures have been introduced for small-value procurements, as specified in Article 20 of the new public procurement legislation. Furthermore, the law provides the possibility of direct payments made to subcontractors, sets the limit on turnover requirements, and establishes the use of a single procurement document. Bulgaria also maintains a freely accessible public procurement register and portal that contains information on open tenders.

The Directorate of Central Purchasing and Public Procurement (CPPP) under the Ministry of Finance is entrusted with the responsibilities of central purchasing in Bulgaria. The CPPP has undertaken several measures to facilitate SME access to the public procurement market. These include proportionate selection criteria, wider publicity of procurement

opportunities, and development of the e-procurement system, SEVOP, which also supports e-submission and e-evaluation.

Furthermore, the National Innovation Fund, based on Horizon 2020 (EU research and innovation programme) and the Small Business Act, identifies SMEs as one of the main target groups in developing innovation initiatives.

38.3. Implementation mechanisms

Bulgaria has published the Implementation Plan of the National Strategy for Development of the Public Procurement Sector in Bulgaria.[1] The Plan sets out detailed activities and defines responsible institutions and timelines for each activity area.

The CPPP organised training on the use of the e-procurement system for economic operators in 2015. Representatives of the operators, including SMEs, attended the training, which specifically dealt with electronic submission of bids. The e-procurement platform, SEVOP, is fully operational as of 2015. All CPB procurement procedures for framework agreements as well as mini-competitions for award of specific contracts are announced through SEVOP, and bids are received and evaluated through the platform as of 2016.

38.4. Monitoring performance

Public Procurement Agency maintains a statistical database containing information on the public procurement market and publishes results annually.[2] Certain information – such as number of public procurement procedures, small notices and visits to the public procurement portal – are published on a monthly basis. However, SME-specific data – such as their participation in the public procurement market – are not aggregated and published.

Notes

[1] www.aop.bg/fckedit2/user/File/en/novini/IP_%202014_EN.pdf

[2] http://rop3-app1.aop.bg:7778/portal/page?_pageid=173,1710276&_dad=portal&_schema=PORTAL

Reference

European Commission (2017), *SBA Fact Sheets 2016*, http://ec.europa.eu/DocsRoom/documents/22382. [1]

39. Colombia

39.1. SMEs in the national economy

In Colombia, micro-enterprises and SMEs represent an important part of the economy. According to an ACOPI survey, conducted in the last quarter of 2015, SMEs employ 80.8% of the country's labour force and contribute to 40% of GDP. However, there exist large differences between medium-sized firms on the one hand and micro and small enterprises on the other. Moreover, informality is common and formalisation is constrained by the family nature of businesses, which are typically limited in their managerial capacity and corporate governance.

In Colombia, micro-enterprises and SMEs (MSMEs) represent an important part of the economy, employing 80.8% of the country's workforce and contributing 40% to GDP.

Table 39.1. Distribution of firms in Colombia, 2016

Firm size (employees)	%
All enterprises	100
SMEs (up to 200)	99.8
Microenterprise (up to 10)	96.1
Small (11-50)	3
Medium (51-200)	0.7
Large	0.2

Note: Classification of MSMEs according to the parameters contained in the Law 905 of 2004.
Source: (OECD, 2017[1]).

39.2. National policy framework to support SMEs in public procurement

Colombia has a National Policy for Productive Transformation and Promotion of Micro, Small and Medium Enterprises (CONPES 3484 of 2007), which specifically aims at encouraging the use of the domestic market through public procurement.

When developing the SME policies included in CONPES 3484 of 2007, it was found that there are a number of characteristics that limit their participation in the market. These are i) low innovation capacity; ii) limited use of information and communication technologies (ICTs); iii) limited access to adequate financing; iv) problems in marketing their products and obtaining inputs. Based on these findings, a strategy was designed to enhance the participation of SMEs in government purchases.

The Decree 1082 of 2015, compiling regulations related to public procurement, includes provisions that favour SMEs in public procurement. The Decree also establishes some preferences for the national goods, services and offers submitted by SMEs and bidders who accredit at least 10% of their payroll to those in condition of disability. Furthermore, the country's regulatory framework on public procurement establishes a public procurement process to be limited to micro-enterprises and SMEs when:

1. The amount of the procurement process is lower than USD 125 000.
2. At least three micro, small or medium-sized enterprises express their interest in limiting the process to micro, small and medium-sized enterprises during the time between publication of the prior studies and documents and one business day before the opening of the procurement process.

SME support policy is further reinforced by the Productive Development Policy, which aims at facilitating business so as to promote the internal market. In particular, the policy promotes transformation from the actual production process into diversified and sophisticated productive activities. These in turn can generate growth, added value, technology, and the integration of national suppliers into local market. Additionally, the Productive Development Policy includes increasing awareness among the public administration of the importance of incorporating compliance with technical standards as a requirement for public procurement processes, and calls for scientific and technological development.

39.3. Implementation mechanisms

While there is no specific implementation mechanism for the public procurement policies to support SMEs, they are communicated via the websites of the Ministry of Commerce, Industry and Tourism or Colombia Compra Eficiente (CCE), as well as manuals published on the CCE website. Each public entity is responsible for implementing public procurement policies to support SMEs.

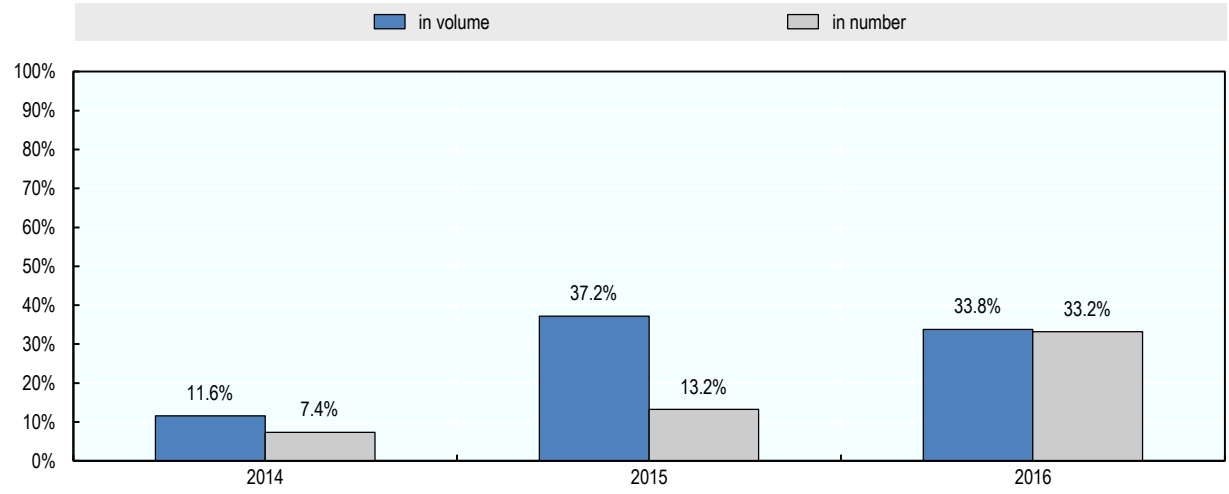
Furthermore, training is available to support the public procurement workforce. In 2012, the Ministry of Commerce, Industry and Tourism signed an agreement with Propaís, the Institution for the Development of Microenterprises, to provide training and workshops covering public procurement in different regions of Colombia.

39.4. Monitoring performance

In tenders exclusively for them, SMEs have to prove their status with a certificate issued by the legal representative and the fiscal auditor. In other tenders where SME certification is not obligatory, the accountant can certify the SME classification in accordance with the law. When the public entity receives applications from at least three national SMEs, the public entity must limit the call to a national SME.

There is no overall assessment of the effectiveness of public procurement or the effectiveness of using public procurement to support SMEs. However, Colombia Compra Eficiente develops indicators to assess the public procurement system. Among the indicators are value for money, integrity and transparency, and accountability and risk management in the public procurement system. The number of contracts awarded to SMEs is monitored in terms of both number of contracts and value of contracts, as displayed in Figure 39.1.

Figure 39.1. Contracts awarded to SMEs by Colombia Compra Eficiente, 2014-16



Note: The data only include information on the framework agreements submitted by Colombia Compra Eficiente as registered in SECOP and the e-Store (TVEC - *Tienda Virtual del Estado Colombiano*).
Source: Country response to the 2017 OECD survey on strategic use of public procurement to support SMEs.

Reference

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2017-en. [1]

40. Costa Rica

40.1. SMEs in the national economy

In Costa Rica, SMEs account for 93.4% of all enterprises (OECD, 2017[1]). Among SMEs, 67% classify as micro firms, 25% as small enterprises and 8% as medium enterprises (MEIC, 2017[2]). SMEs in Costa Rica employ 220 483 people, which accounts for 31.2% of all jobs in the business sector (OECD, 2017[1]). Non-agricultural SMEs are mainly active in services (43%) and commerce (41%), and are unevenly distributed across the country with 74% located centrally (OECD, 2017[1]; MEIC, 2017[2]).

40.2. National policy framework to support SMEs in public procurement

The objective of supporting SMEs in the government procurement market is provided in article 20 of Law No. 8262, the Law on Strengthening Small and Medium-Sized Enterprises.

In accordance with article 20 the Public Administration will develop, in co-ordination with the Ministry of Economy, Trade and Industry (MEIC), a program that ensures the minimum participation of the SMEs in government procurement for each institution or dependency.

40.3. Implementation mechanisms

In specific processes and as part of an institutional strategy, talks and trainings are given to officials of public institutions on SME legislation and tools to encourage their participation in the government procurement market.

40.4. Monitoring performance

For companies to be classified as SMEs, MEIC carries out an official qualification of the SME-status n accordance with article 3 of Law 8262. Verification by the procuring institution is done on line or through physical certification issued by the government entity and delivered by the employer.

References

MEIC (2017), *Estado de situación de las PYME en Costa Rica*, http://reventazon.meic.go.cr/informacion/pyme/2017/informe.pdf (accessed on 28 June 2018). [2]

OECD (2017), *OECD Reviews of Innovation Policy: Costa Rica 2017*, OECD Reviews of Innovation Policy, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264271654-en. [1]

41. Thailand

41.1. SMEs in the national economy

In 2013, the Office of SME Promotion analysed government purchasing data and found that SMEs are very active in public procurement. In terms of the number of vendors, SMEs account for 95%, and in terms of buying value, they account for 84%.

41.2. National policy framework to support SMEs in public procurement

Thailand does not have any measures to promote SME access to government procurement. Due to the high share of SME participation, the Office of SME Promotion does not consider SME promotion an urgent matter.

In the 4th SME Promotion Plan 2017-21, there is a strategy that addresses the importance of improving public procurement to support SME participation. However, it has not been implemented to date.

42. Ukraine

42.1. SMEs in the national economy

In Ukraine, the legal definition of SMEs is the same as in the European Union. Medium-sized enterprises are defined as those whose average number of employees during the reporting period does not exceed 250, and annual income from any activity does not exceed the equivalent of EUR 50 million. Small enterprises (individual entrepreneurs or legal entities/enterprises) refer to enterprises with an average number of employees that does not exceed 50 people and annual income from any activity that does not exceed the equivalent of EUR 10 million; and micro enterprises (individual entrepreneurs or legal entities/enterprises) refer to those with an average number of employees not exceeding 10 people and annual income from any activity that does not exceed the equivalent of EUR 2 million.

The main competitive advantage of SMEs in Ukraine, particularly in public procurement markets, is the relatively low prices they can offer because of low taxation. SMEs typically pay a flat income tax (at a fixed rate of 5% on income, or 10% on income depending on the kind of activity and the volume of business) and lower social security tax.

42.2. National policy framework to support SMEs in public procurement

Ukraine does not have a separate strategy for SMEs participation in public procurement, but they are mentioned in the adopted Strategy for Public Procurement Reform (approved by Cabinet of Ministers Resolution No. 175 on 24 February 2016). In accordance with Article 46 of EU Directive 2014/24/EU, the Strategy encourages division into lots in order to create better conditions for the participation of small and medium-sized businesses in public procurement.

The aims of public procurement legislation in Ukraine are to ensure efficient and transparent procurement, create a competitive environment in the field of public procurement, prevent corrupt practices in this field, and develop fair competition. The new Law on Public Procurement No. 922 of 25 December 2015 establishes the following improved opportunities for SME participation in public procurement in Ukraine, and introduces the following innovations that could facilitate SMEs participation and success in public tenders:

1. The law is focused on replacing the current paper-based procurement procedures with a unified electronic solution comprising a centralised database and several privately managed access points to the system (platforms). It establishes an exclusive system of e-communications, e-publications/e-notifications, e-access, e-submissions, e-auctions as single evaluation method, e-awards and (theoretically**)** e-contracting with further e-invoicing.
2. A new mechanism for the submission of supporting documents by tenderers. The \documents are now required only from the successful tenderer and contracting

authorities may not require their presentation if the relevant confirmations are available from public databases. The list of such open databases is to be published by the Ministry of Economic Development and Trade annually by 20 January.

3. An unsuccessful tenderer may now require the contracting authority to provide a well-grounded explanation for rejecting its proposal and the reasons for awarding the contract to another tenderer considered to be the most economically advantageous.
4. A reduction of the time limit for the review of complaints by half (previously it was 30 working days; now the Law requires a decision on the submitted (including electronically) complaint to be adopted within 15 working days).
5. Requirements for below-threshold procurements. In particular, all such procurements must follow the principles established by the Law; their results must be published; and they may be performed through the electronic procurement system used for public contracts, subject to the Public Procurement Law procedures.
6. Facilitating access to tenders through the use of self-declaration lends extra weight to SMEs.
7. The Public Procurement Law of Ukraine, especially article 28, provides the possibility of setting awarding criteria to support SME participation, examples of which could include "share in value of SMEs involved as subcontractors", "involvement of local SMEs (labour) in the performance of the contract", etc.
8. Article 22 of the public procurement law stipulates that in case of procurement of works and services, procuring entities require that bidders submit a list of subcontractors to be involved in order to enhance SME participation; and, in case of purchasing services and contractual services, SMEs can jointly submit bids with other suppliers. In fact, primary contractors in practice almost always involve SMEs in the implementation of construction contracts.

The Public Procurement Official web-portal (www.prozorro.gov.ua) publishes data on SME participation in public procurement.

42.3. Implementation mechanisms

The MEDT (Ministry of Economic Development and Trade) launched a Centre of Excellence in Procurement at the Kiev School of Economics in February 2017, supported by the School and the TAPAS project. The first pilot training exercise of the Centre was an intensive Training of Trainers programme and a similar 4-month advanced programme for procurement professionals. The trainers held seminars in the regions, trained about 700 people a year, and organised free webinars for business and civil society.

The MEDT – as an authorised body in public procurement and leader of public procurement reform – organises different regional public procurement workshops and trainings for SMEs in co-operation with operators of commercial e-platforms, business schools and international organisations. In all regions of Ukraine there are representatives of the public procurement reform team responsible for organising and carrying out seminars, training sessions and consultations in the field of public procurement for suppliers and contracting authorities. Furthermore, the Ministry has launched a project called "GPAinUA Implementation Office" – a proactive project that supports Ukrainian suppliers, especially

SMEs, and advises them to participate in the public procurement of the Government Procurement Agreement (GPA), and also helps create ecosystems to promote participation of Ukrainian exporters in the public procurement of GPA as well as importers from countries participating in the GPA public procurement in Ukraine. The main areas of business support include providing access to information on international requirements; assisting in the preparation of the tender; advising on the implementation of the tender requirements; analysing public procurement markets; and supporting the application of international tenders.

Additionally, the Prozorro and each of the electronic marketplaces provide regular seminars for businesses. Information and educational resources are available on line, as well as a library of sample specifications.

42.4. Monitoring performance

In January 2018, new provisions of Law on Public Procurement were adopted, which were devoted to monitoring public procurement. According to the Law on the State Audit Service of Ukraine, procurement procedures will be monitored through the e-procurement system ProZorro, especially by implementing risk manage indicators in the system.

Moreover the civil society monitoring system DOZORRO has been developed. MEDT together with Transparency International-Ukraine created a strong regional civil society network. Today the DOZORRO community unites 24 professional civil society organisations. Every month, these organisations identify and submit complaints concerning violations in over 1 500 procurement processes.

A risk-monitoring approach was developed and implemented in the DOZORRO web portal (dozorro.org). From July 2018 the civic monitoring system of risk indicators has used artificial intelligence. This tool will help not only the government to monitor the public procurement system but also the private sector, as companies will be able to choose the least problematic procedures and select procurement entities that are reliable. DOZORRO's approaches are being replicated in others countries. For instance, starting from autumn 2018, a similar system will be implemented in Moldova.

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PRACTICES AND STRATEGIES FOR SHARED BENEFITS

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Consult this publication on line at ***https://doi.org/10.1787/9789264307476-en***.

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