

Opportunities for SMEs in public procurement market

Realistic expectations

Dariusz Piasta
Public Procurement Office, Poland
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Opportunities for SMEs in public procurement

Background of the situation

(1)

- Definition of SME: fewer than 250 employees and annual turnover not bigger than 40 mln EUR
- Number of SME:
 - in EU 15 – 20 mln and 99,8 % of all enterprises
 - in Poland – more than 3 mln registered enterprises; „active” enterprises – 1, 7 mln (99,8 % of them are SMEs)

Opportunities for SMEs in public procurement

Background of the situation (2)

- Participation of SMEs in public procurement procedures
 - Sweden, Italy and Portugal - 10 %
 - Belgium and Luxemburg – 33 %
 - France - 45 %
 - Poland – 20 %

Rate of success (SMEs awarded contracts/successful contractors):

In EU 15 - 78 %

In Poland: 12, 5 %!!! (according to Polish SMEs)

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Background of the situation (3)

Number of contracts per 1000 enterprises:

- EU 15 – av. 2,6
- in Poland – 40, 000 competitive procedures launched in 2003 (above the threshold of 30,000 EUR)

Main Obstacles faced by SMEs:

- Difficulties with obtaining information
- Lack of knowledge on procurement proceedings
- Too big size of the contracts
- Heavy administrative burdens
- High qualification levels
- Short time to bid
- High requirements
- Financial bonds and guarantees required
- Discrimination against foreign tenderers
- Finding partners abroad

Costs for SMEs concerning participation in pp

- Registration and qualification as a supplier to the public administration
- Obtaining the information on public contracts
- Preparation of bids
- Deposits or guarantees required by purchaser
- Financing of goods or services – public administration „slow payer“

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Costs for pp officers

- Evaluation of many small tenders
- Need to monitor many small suppliers rather than one large one
- Costs of monitoring quality control from many small suppliers
- Risk of default on the part of suppliers

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1996 Green Book „Public procurement in EU - Exploring the way forward“

Suggested measures to improve participation of SMEs in pp:

- Monitoring the application of the rules by the MS**
- Improvement of the access to public procurement information and contracts;**
- Training officials on how to use and implement public procurement**
- Electronic dissemination of the notifications.**

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- 1998 Communication of the Commission:
Suggested measures:
 - improve the legislation,
 - clarify the rules for public procurement
 - publish the notifications on CD-ROM and the Internet (TED)
 - 2003 „Internal Market Strategy Priorities 2003 - 2006“
 - 2004 Legislative package – new consolidated directives 2004/17 and 2004/18

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- Relevant judgements of ECJ:
 - C – 389/92 „Ballast I“
 - C – 5/97 „Ballast II“
 - C – 94/99 „ARGE“

New directives and SMEs

- New „classical“ directive 2004/18
 - recital 32 „... in order to encourage the involvement of small and medium - sized undertakings in the public public contracts procurement market, it is advisable to include provisions on subcontracting“
 - article 25 (subcontracting)

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Practice of certain EU MS:

- France (CMP): subcontracting in public works and services contracts, provisions on advance payments up to 60 % of the value of contract
- Spain (ley de contratos publicos): possibility to subcontract up to 50% of the contract
- UK: pilot programs which aim at reducing administrative burdens and encouraging SMEs to participate in pp

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Background of situation in Poland

- Decentralized system of public procurement:
At least 60, 000 procuring entities
- National thresholds for public procurement lower than in EU directives – fully competitive procedure over 60,000 EUR threshold
- Possibility of joint participation in pp (consortia)
- Division into lots of public procurement very often
- Subcontracting
- Deposit and good performance guarantee: different forms of their submission – choice of contractor

Main reasons for weak participation in pp

- Lack of fair competition in pp (34 %)
- Disadvantageous terms of contracts for SMEs (20 %)
- Preparation of tender too complicated (13 %)
- Difficulties in submitting all required documents (12 %)
- Unclear provisions of tender documentation (5,5 %)

Source: survey conducted by Polish Ministry of Economy (2003)

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Geographic area of activity of Polish SMEs in pp:

- Local market (44 %)
- Regional market (34 %)
- Whole country (17, 5 %)
- Foreign markets (9 %)

Source: Ministry of Economy (2003)

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Main sources of information on opportunities in Poland according to polled enterprises:

- Direct invitations (20 %)
- Press (17 %)
- Informal - friends (7, 8 %)
- Public Procurement Bulletin (7, 5 %)
- Notices published at site of contracting entity (5,5%)

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Actions to facilitate participation of SMEs in pp:

- Improvement of access to information on public procurement
- Improvement of knowledge of the procedures
- Division of large contracts into lots
- Simplification of legal framework

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Thank you very much for your attention.