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Supporting SME access to public procurement opportunities

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This Research Paper finds that SMEs can face a number of challenges in accessing public procurement opportunities. A number of measures have been highlighted that could be used to support SME access to procurement, including simplifying procurement processes, dividing larger contracts into lots, setting proportionate requirements and building capacity among SMEs.

Key Points

- The vast majority of businesses in Northern Ireland are small and medium-sized enterprises (SMEs);
- The European Commission defines a small enterprise as one with a headcount of fewer than 50 and a turnover of less than €10m, and a medium-sized enterprise as having a headcount of fewer than 250 and a turnover of less than €50m;
- It is thought that supporting SME access to public procurement opportunities can have a positive impact on innovation, economic strategies and competition;
- However, SMEs can face a number of barriers, including a lack of knowledge or awareness of opportunities; challenges around the use of frameworks; capacity issues; and the perceived complexity of some procurement processes;
- A number of approaches to supporting SME access to public procurement opportunities have been suggested or implemented here and elsewhere;
- These tend to focus on simplifying the procurement process and making it accessible to SMEs who may not have the capacity or experience to bid for large contracts with demanding qualification criteria, and include:
 - **Facilitating access to frameworks** (for example, by reflecting various sizes of contracts and opportunities and using proportionate selection criteria);
 - **Dividing contracts into lots:** research in the EU found that the use of lots increases the probability of SMEs winning contracts;
 - **Improving access to information:** for example, through 'meet the buyer' events and greater use of e-procurement;
 - **Setting proportionate requirements** around qualification levels and finances in relation to the size and subject matter of the contract;
 - **Encouraging collaboration** and joint ventures between SMEs and between SMEs and larger organisations;
 - **Building capacity:** for example, through events, helping to develop tender writing skills and by providing more opportunities to converse with buyers;
- Areas for consideration could include the extent to which the Department of Education's plans for procurement modernisation are likely to encourage and support SME access to procurement opportunities within education.

Executive Summary

Introduction

The vast majority of VAT registered businesses in Northern Ireland are small and medium-sized enterprises (SMEs). There is widespread acceptance that SMEs are socially and economically important, and it is thought that supporting their access to public procurement opportunities can have a positive impact on innovation, economic strategies and competition. However, there are some concerns that trends towards centralisation and aggregation in public procurement may disadvantage SMEs.

The literature highlights a number of barriers that may have an impact on SMEs bidding for public procurement contracts. These include a lack of knowledge or awareness of procurement opportunities; challenges around the use of frameworks such as 'lock-outs' and onerous criteria; capacity issues; and the perceived complexity of some procurement processes.

Supporting SME access to public procurement opportunities

A number of approaches to encouraging and supporting SME access to procurement opportunities have been suggested or implemented here and elsewhere. These tend to focus on simplifying the procurement process and making it more accessible to SMEs who may not have the capacity or experience to bid for large contracts with demanding qualification criteria. The approaches include:

- Facilitating access to frameworks;
- Dividing contracts into lots;
- Improving access to information;
- Simplifying the procurement process;
- Setting proportionate requirements;
- Encouraging collaboration;
- Building capacity; and
- Setting targets for the proportion of contracts awarded to SMEs.

With regard to frameworks, the literature suggests that they should reflect various sizes of contracts and opportunities; that selection criteria should be proportionate; and that buyers should provide information and guidance on their frameworks. Linked to this, the evidence tends to support breaking larger contracts into lots. Indeed, research in the EU has found that the use of lots increases the probability of SMEs winning contracts.

In terms of improving SME access to information on procurement opportunities, the evidence advocates 'meet the buyer' events, adoption and promotion of e-procurement tools and increased dialogue between buyers and bidders. Procurement guidance also tends to highlight the importance of ensuring that processes are simple, that they avoid duplication and only request the necessary information.

Procurement opportunities should set proportionate requirements around qualification levels and finances in relation to the size and subject matter of the contract, according to the literature. In addition, Ireland and England have brought in processes that do not require the pre-qualification of tenderers.

There are mixed views on the usefulness of setting targets for the proportion of public contracts that are awarded to SMEs. However, many advocate encouraging collaboration and joint ventures between SMEs and between SMEs and larger organisations, for example, by highlighting the benefits of such an approach and by providing guidance on the legal and practical implications.

Finally, much of the literature highlights building the capacity of SMEs as an important means of enabling them to bid for more public procurement contracts. This includes developing the ability to write 'intelligent tenders', providing more opportunities to converse with buyers and programmes and events to support access to opportunities. A number of such programmes exist in both Northern Ireland and on a cross-border basis.

Conclusion

The evidence suggests that SMEs can have an important role to play in public procurement; however, they can face a number of challenges in accessing opportunities. For example, a lack of awareness or knowledge of opportunities; challenges around the use of frameworks; capacity issues and the perceived complexity of procurement processes can act as barriers to SMEs wishing to bid for public procurement opportunities.

The literature highlights a number of potential measures to support SME access to procurement that have been suggested or implemented in other jurisdictions. These include simplifying procurement processes, dividing larger contracts into lots, setting requirements that are proportionate in relation to the size of the contract and building capacity among SMEs.

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1 Introduction

It is generally accepted that small and medium-sized enterprises (SMEs) are socially and economically important.¹ In Northern Ireland, 98.2% of the 68,525 businesses VAT registered or operating a PAYE scheme are small businesses (micro businesses make up the majority of this total – 87.8%), 1.5% are medium-sized and 0.3% are large.²

Definitions

SMEs are defined by the European Commission based on headcount and turnover. The following table summarises the definitions. In addition to the staff headcount limits, an enterprise qualifies as an SME if it either meets the turnover limit or the balance sheet limit, but not necessarily both.³

Table x: European Commission definitions of SMEs

Enterprise category	Headcount	Turnover OR	Balance sheet total
Medium-sized	< 250	≤ €50m	≤ €43m
Small	< 50	≤ €10m	≤ €10m
Micro (a subset of small)	< 10	≤ €2m	≤ €2m

Rationale for involving SMEs in public procurement

A number of potential benefits of supporting SME access to public procurement opportunities have been highlighted in the literature. These include their potential to contribute to innovation and economic strategies and to encourage competition.⁴

The EU Code of Best Practices for SME access to procurement introduced in 2008 stated that increased involvement of SMEs in public procurement would result in higher competition for public contracts, leading to better value for money for contracting authorities. The document also suggests that more competitive and transparent procurement practices will have a positive impact on the European economy by unlocking the growth and innovation potential of SMEs.⁵ Procurement guidance in

¹ *Small and medium-sized enterprises (SMEs) SME Definition* [online] Available at:

http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

² Department of Enterprise, Trade and Investment (2010) *Facts & Figures from the Inter Departmental Business Register – Edition Thirteen* National Statistics

³ *Small and medium-sized enterprises (SMEs) SME Definition* [online] Available at:

http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

⁴ Fee, R. et al. (2002) "SMEs and government purchasing in Northern Ireland: problems and opportunities" *European Business Review* Vol. 14 No. 5 pp. 326-334

⁵ European Commission (2008) *European code of best practices facilitating access by SMEs to public procurement contracts*

Ireland states that a large part of the creative ideas for new technologies come from SMEs, and that they have a vital role to play in the Irish economy.⁶

Scope of this paper

Further information on approaches to procurement in education in England, Scotland, Wales and Ireland can be found in [Research Paper 118/11: Procurement in education in other jurisdictions](#). This paper found that recent and planned reforms to procurement tend to focus on centralisation and aggregation as a means to achieving better value for money.

While this approach has advantages in terms of better value for money, reduced procurement and contract management costs and a closer working relationship with the supplier, there are some concerns that larger contracts may inhibit many SMEs from applying. In light of this, this Research Paper considers efforts to increase SME access to public procurement opportunities in Northern Ireland and elsewhere.

2 SME access to public procurement

Across the EU in the period between 2006 and 2008, 60% of contracts above the EU thresholds were won by SMEs. Micro-enterprises accounted for 18% of contracts, small enterprises for 22% and medium-sized enterprises for 20%. Levels of access by SMEs were found to be 'virtually unchanged' since 2005. In addition, SMEs were found to be underrepresented in terms of their significance in the overall economy.⁷

Contracts awarded to SMEs in Northern Ireland

Over a fifth (21%) of the total budget for the public sector in Northern Ireland in 2009-10 was spent on procurement (£2.3bn out of a £10.9bn budget). The Department of Finance and Personnel (DFP) reports that 79% of all Central Procurement Directorate (CPD) contracts awarded in the three years to 31st March 2009 were given to businesses with local addresses. In addition, it reports that 90% of the value of construction contracts went to local businesses.⁸

While a 2009 inquiry by the Committee for Finance and Personnel found that micro SMEs were awarded the majority of contracts by a number of public sector organisations, the percentage of contracts awarded was higher than the value of the contracts, indicating that the contracts were low in value. This is supported by a survey conducted by the Federation of Small Businesses NI (FSB) in 2009, which found that in the majority of cases, SMEs in Northern Ireland bid for contracts below £50,000.⁹

⁶ Department of Enterprise, Trade and Employment *Buying Innovation: The 10 Step Guide* Dublin: Department of Enterprise, Trade and Employment

⁷ GHK (2010) *Evaluation of SMEs' access to public procurement markets in the EU*

⁸ Department of Finance and Personnel (2011) *Helping small and medium sized enterprises (SMEs) and social economy enterprises access public sector contracting opportunities* Belfast: Central Procurement Directorate

⁹ FSB Northern Ireland (2009) *Evaluating SME Experiences of Government Procurement in Northern Ireland* Lestas Consulting

The 2009 inquiry found that while the profile of local business will mean that a majority of contracts here are awarded to SMEs, a 'sound rationale' nonetheless exists for encouraging new entrants into the procurement market from the small and micro enterprise sector, and for enabling these firms to bid for higher value contracts.¹⁰

Education and Library Boards

With regard to procurement in education, the Committee for Finance and Personnel Inquiry into Public Procurement highlighted the proportion of contracts awarded to SMEs by the Education and Library Boards (ELBs) Centre of Procurement Excellence (CoPE). These figures are presented in the following table.¹¹

Table 2: Number and value of contracts by ELB 2006-07 to 2008-09

	% of contracts (n=12,434)	% of value (£478m)
Medium SME (NI)	3.5	23.4
Small SME (NI)	35.3	25.7
Micro SME (NI)	60.7	14.6
External SME/SEE	0.1	0.1
SEE (NI)	0	0
Non-SME (NI)	0.4	35.9
External Non-SME	0	0.2
Totals	100	100

Source: Committee for Finance and Personnel: Report on the Inquiry into Public Procurement in Northern Ireland [online] Available at: http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_19_08_09R.htm#2

The table highlights that the percentage of contracts awarded to small and micro SMEs was higher than the value of the contracts, indicating that the contracts were low in value. Few contracts were awarded to non-SMEs or to businesses outside Northern Ireland. In addition, small numbers of contracts let to medium-sized businesses accounted for a relatively high proportion of the overall value of the contracts.¹²

¹⁰ Committee for Finance and Personnel: Report on the Inquiry into Public Procurement in Northern Ireland [online] Available at: http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_19_08_09R.htm#2

¹¹ Committee for Finance and Personnel: Report on the Inquiry into Public Procurement in Northern Ireland [online] Available at: http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_19_08_09R.htm#2

¹² Committee for Finance and Personnel: Report on the Inquiry into Public Procurement in Northern Ireland [online] Available at: http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_19_08_09R.htm#2

3 Barriers to SMEs accessing public procurement opportunities

A 2009 report by InterTradeIreland stated that while many SMEs have the capability to participate in public procurement, an 'ignorance or fear' of the procurement process can constrain their capacity to do so.¹³ A number of potential barriers for SMEs accessing public procurement contracts have been cited in the literature. These include the following barriers which are considered in the subsequent paragraphs:

- Lack of knowledge/ awareness;
- Frameworks;
- Capacity issues; and
- Complex procurement processes.

Lack of knowledge/ awareness

Public procurement opportunities are advertised in a range of places, for example, the Official Journal of the European Union (for all contracts worth more than the EC limit), provincial newspapers (for opportunities below the EC limit), in trade journals and departmental websites. However, public organisations are not legally required to advertise low value contracts at all.¹⁴

Research with SMEs in Northern Ireland and Ireland suggests that they are often unaware of, or have limited knowledge of, how to access public procurement opportunities. For example, the 2009 FSB survey found that half of SMEs in Northern Ireland were unaware of any public procurement information sources, and 48% were unaware of e-sourcingni¹⁵ (the civil service e-tendering website). In addition SMEs were found to lack the time and resources required to source contracts.¹⁶

These findings are supported by the InterTradeIreland report of the same year, which found that a lack of knowledge in how to access the public procurement market is a significant factor in SMEs not targeting the market. This was particularly the case for lower value contracts, which may not be advertised widely.¹⁷

Frameworks

Procurement frameworks are thought to have a number of advantages, including value for money through centralisation, reductions in bureaucracy and the establishment of

¹³ InterTradeIreland (2009) *All-island public procurement: a competitiveness study* Newry: The Trade and Business Development Body

¹⁴ Department of Finance and Personnel *Public Procurement: a guide for small and medium sized enterprises* Central Procurement Directorate

¹⁵ Available at: <https://e-sourcingni.bravosolution.co.uk/web/login.shtml>

¹⁶ FSB Northern Ireland (2009) *Evaluating SME Experiences of Government Procurement in Northern Ireland* Lestas Consulting

¹⁷ InterTradeIreland (2009) *All-island public procurement: a competitiveness study* Newry: The Trade and Business Development Body

beneficial long-term relationships with suppliers. However, it has been suggested that frameworks can have a negative impact on SMEs in tendering for and delivering contracts. The Committee for Finance and Personnel Inquiry reported a number of potential issues around the use of frameworks for SMEs:

- **Framework lock-outs leading to loss of experience:** unsuccessful organisations (in tendering for a framework) can be prevented from accessing those contracts for the duration of the framework. During this time, the organisation may not gain experience in this area and may find it difficult to tender for future framework opportunities;
- **Duplication of information and onerous pre-qualification criteria:** In some instances, organisations on a framework are required to provide information a number of times. In addition, there are concerns that pre-qualification criteria (such as turnover and insurance compliance thresholds) can penalise SMEs;
- **Consequences of a SME not being the main contractor:** SMEs are often sub-contracted parties doing much of the work but for less than the full payment;
- **Propensity to litigation:** It has been suggested that large scale framework agreements will be more liable to challenge as the stakes are so high for organisations bidding;
- **Impact on the community and voluntary sector:** the Committee heard a view that the trend towards the use of large scale contracts may exclude many voluntary and community organisations that might otherwise be eligible to tender for smaller scale projects.

SMEs interviewed as part of the InterTradeIreland research had mixed views on frameworks. Around half felt that frameworks were a lot of work for little gain, were a complicated process and that time periods were too long, while the other half believed that frameworks were a fair and effective process.¹⁸

Capacity issues

Research in the EU has found that the large size of contracts is 'probably the most important barrier for SMEs accessing public procurement'. One study found that the higher the value of the contract, the less likely SMEs were to win the contract.¹⁹

The evidence suggests that SMEs often feel that they are excluded from public procurement contracts because they do not have the capacity to tender for the entire contract.²⁰ Other issues around financial capacity that may be problematic for SMEs:²¹

¹⁸ InterTradeIreland (2009) *All-island public procurement: a competitiveness study* Newry: The Trade and Business Development Body

¹⁹ GHK (2010) *Evaluation of SMEs' access to public procurement markets in the EU*

²⁰ European Commission (2008) *European code of best practices facilitating access by SMEs to public procurement contracts*

²¹ GHK (2010) *Evaluation of SMEs' access to public procurement markets in the EU and InterTradeIreland (2009) All-island public procurement: a competitiveness study* Newry: The Trade and Business Development Body

- High required levels of professional indemnity and company turnover;
- A perceived over-emphasis on price;
- Long payment terms or late payments; and
- Onerous administrative requirements.

Complex procurement processes

There is also evidence to suggest that SMEs perceive public procurement processes as complex, costly and time-consuming. Research in 2009 found that many companies who had little or no experience of tendering in the public sector felt that they did not have the appropriate capability in terms of knowledge and skills, and/ or described issues around inadequate resources or critical mass.²²

4 Supporting SME access to public procurement

The promotion of SMEs is regarded as a central issue for the European Community, with SMEs generally considered to be the ‘backbone’ of the EU economy.²³ The following figure highlights a number of methods of supporting SME access to public procurement, which are considered in more detail in the subsequent paragraphs.

Figure: Methods of supporting SME access to public procurement opportunities



²² InterTradeIreland (2009) *All-island public procurement: a competitiveness study* Newry: The Trade and Business Development Body

²³ InterTradeIreland (2009) *All-island public procurement: a competitiveness study* Newry: The Trade and Business Development Body

Facilitating access to frameworks

The Committee for Finance and Personnel Inquiry into public procurement recommended that CPD and the CoPEs (including the ELBs) develop frameworks reflecting various sizes of contracts and opportunities and consider regional contract variations to increase opportunities for SMEs.²⁴

The EU Code of Best Practices states that contracting authorities should ensure that the scope of a framework agreement does not deter SMEs from bidding. It suggests that keeping selection criteria proportionate is an important way of ensuring this, for example by setting out minimum levels of ability that are related and proportionate to the largest contract due to be concluded, and not to the total amount of contracts planned for the entire duration of the framework contract.

CPD guidance advocates a range of measures for buyers to employ when using frameworks. These include holding awareness sessions; considering the benefits of including small suppliers; splitting the framework agreements into lots; and encouraging consortium bids.²⁵

Unbundling contracts

Dividing contracts into lots has been suggested as a useful means of addressing a lack of capacity among some SMEs to access particular public sector procurement opportunities. The aim of this approach is both quantitative, in that the size of lots may correspond better to productive capacity of SMEs, and qualitative, in that the lots may relate more closely to specialism of SMEs.²⁶

Research into SME access to public procurement in the EU found that using lots increases the probability of SMEs winning the contracts, even after controlling for the subsequent lower market value.²⁷

The Committee for Finance and Personnel Inquiry recommended that the Procurement Board give careful consideration to a procurement policy that advocates breaking contracts into lots. CPD guidance highlights a need to consider the procurement strategy used, in particular whether there is merit in dividing a contract into lots. In Ireland, the guidance also recommends dividing contracts into lots where appropriate, and 'without compromising efficiency or value for money'.

Improving access to information

Research in the EU found that more and better dialogue with the buyer was among the measures thought to be most helpful by SMEs in enhancing their success, primarily

²⁴ Committee for Finance and Personnel: *Report on the Inquiry into Public Procurement in Northern Ireland* [online] Available at: http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_19_08_09R.htm#2

²⁵ Department of Finance and Personnel (2011) *Helping small and medium sized enterprises (SMEs) and social economy enterprises access public sector contracting opportunities* Belfast: Central Procurement Directorate

²⁶ European Commission (2008) *European code of best practices facilitating access by SMEs to public procurement contracts*

²⁷ GHK (2010) *Evaluation of SMEs' access to public procurement markets in the EU*

with the aim of clarifying requirements.²⁸ Guidance from CPD suggests that public sector buyers should support 'Meet the Buyer' events in order to increase SME awareness of public procurement opportunities and processes.²⁹

E-procurement

A recent study in the EU found that companies (both SMEs and larger companies) find e-procurement solutions to be highly beneficial. Indeed, the EU Code of Best Practices suggests that e-procurement can be particularly beneficial for SMEs, and that it can encourage competition by allowing easier access to information on opportunities. The key benefits of e-procurement highlighted included:³⁰

- Swifter access to information;
- Access to a larger pool of tender opportunities;
- Ease of searching for relevant opportunities;
- Easy access to tender documentation; and
- Easier communication during the tendering phase.

The study recommends the further promotion and adoption of e-procurement tools, supported by a clear policy and legislative background and training for suppliers and buyers.

The Committee for Finance and Personnel recommended that the Procurement Board consolidate all public sector opportunities within the e-sourcing NI portal, and to integrate tendering opportunities in Britain and Ireland. It also suggested that the provision of timely and accurate information on the e-sourcing portal and the Delivery Tracking System should be written into the business plans of each CoPE, and that they should publish their annual procurement plans on the portal to assist SMEs in forward planning.³¹

The Coalition Government has introduced a new online facility, the 'Contracts Finder' website³² where public sector contracting opportunities over £10,000 are advertised. The website aims to make the public procurement process completely transparent. The Government has also launched SME product surgeries which aim to give SMEs the opportunity to pitch innovative products and services to a panel of senior procurement professionals from the public sector.³³

²⁸ GHK (2010) *Evaluation of SMEs' access to public procurement markets in the EU*

²⁹ Department of Finance and Personnel (2011) *Helping small and medium sized enterprises (SMEs) and social economy enterprises access public sector contracting opportunities* Belfast: Central Procurement Directorate

³⁰ GHK (2010) *Evaluation of SMEs' access to public procurement markets in the EU*

³¹ Committee for Finance and Personnel: *Report on the Inquiry into Public Procurement in Northern Ireland* [online] Available at: http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_19_08_09R.htm#2

³² Available at: <http://www.contractsfinder.businesslink.gov.uk/?site=1000&lang=en>

³³ House of Commons Library (2011) *Public procurement: small businesses and savings*

In Ireland, a new measure was brought in in 2010 so that all contracts for supplies and general services with an estimated value of €25,000 or greater (it was previously €50,000) must be advertised on e-tenders, the Government's procurement website.³⁴ In addition, contracting authorities are encouraged to advertise contracts for lower values to support SME participation.³⁵

Simplifying the procurement process

CPD guidance outlines a range of measures to help make the public procurement process less onerous for suppliers, including:³⁶

- Explain the process from the outset and only ask for necessary information;
- Support 'Meet the Buyer' events to increase awareness of the process;
- Complexity of the process should be proportionate to the size and scale of the requirement;
- Keep tender documentation clear, concise and jargon-free;
- Make use of standardised pre-qualification questionnaires (PQQs);
- Financial assessments should be simple and proportionate (for example, do not ask for three years of accounts if not necessary).

European Commission guidance highlights the importance of alleviating the administrative burden, for example, by using short and simple forms and avoiding duplication of the information.³⁷

Setting proportionate requirements

The literature highlights the importance of setting proportionate qualification levels and financial requirements. Indeed, the EC Public Procurement Directives highlight that criteria on financial and economic capacities and on technical abilities need to be related and proportionate to the subject-matter of the contract.

European Commission guidance states that keeping selection criteria proportionate is of core importance for SMEs, and notes that disproportionate financial guarantee requirements are an obstacle to the participation of SMEs in public procurement.³⁸

³⁴ Online: Available at: <http://www.etenders.gov.ie/>

³⁵ Ireland: *Government Administrative Measures to support SMEs in Public Procurement* [online] Available at: <http://www.arthurcox.com/ontrack/spring2011/ireland-government-administrative-measures-to-support-smes-in-public-procurement.html>

³⁶ Department of Finance and Personnel (2011) *Helping small and medium sized enterprises (SMEs) and social economy enterprises access public sector contracting opportunities* Belfast: Central Procurement Directorate

³⁷ European Commission (2008) *European code of best practices facilitating access by SMEs to public procurement contracts*

³⁸ European Commission (2008) *European code of best practices facilitating access by SMEs to public procurement contracts*

Pre-qualification requirements

Efforts have also been made to reduce pre-qualification requirements in Ireland, with the introduction of an 'open' procedure. This does not require pre-qualification of tenderers, and the approach is required for all advertised contracts with values up to €250,000 for works contracts and for supplies and service contracts up to €125,000. It aims to ensure that all contracts within these thresholds are open to all potential bidders without the necessity of providing pre-qualification documentation such as bank statements and proof of insurance (these would be requested when a tenderer is close to being awarded a contract).³⁹

The Coalition Government has introduced a new approach to assessing bidding organisations so that SMEs are not disadvantaged. It is seeking to eliminate Pre-Qualification Questionnaires (PQQs) for all central government procurements under £100,000, so that buyers will be able to choose the best approach for their circumstances.⁴⁰

In a recent Assembly debate Finance Minister Sammy Wilson MP stated that there are now new arrangements in place for PQQs that aim to avoid duplication, allowing companies to reuse their original application and tailor it for different competitions.⁴¹

Setting targets for SME uptake

There are differing opinions on the merits of setting targets for SME uptake of procurement contracts. The FSB advocates a target of awarding 30% of low value public procurement contracts to micro-businesses, while the CBI has stated that introducing such targets would be difficult and costly to measure.⁴²

The Coalition Government has set an 'aspirational target' of 25% of government contracts being awarded to SMEs in a drive to use public sector procurement to encourage SME growth. However, it has been noted that value for money for the public purse remains the main imperative in procurement exercises, and that the Government is seeking to centralise procurement to this end.⁴³

³⁹ Ireland: Government Administrative Measures to support SMEs in Public Procurement [online] Available at: <http://www.arthurcox.com/ontrack/spring2011/ireland-government-administrative-measures-to-support-smes-in-public-procurement.html>

⁴⁰ House of Commons Library (2011) *Public procurement: small businesses and savings*

⁴¹ Northern Ireland Assembly Monday 3rd October 2011 [online] Available at: <http://www.niassembly.gov.uk/record/reports2011/111003.htm#a4>

⁴² Committee for Finance and Personnel: Report on the Inquiry into Public Procurement in Northern Ireland [online] Available at: http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_19_08_09R.htm#2

⁴³ House of Commons Library (2011) *Public procurement: small businesses and savings*

Encouraging collaboration

The Committee for Finance and Personnel Inquiry recommended that CPD encourages local SMEs to collaborate through highlighting the benefits of initiatives and providing guidance on the legal and practical implications.⁴⁴

In the South of Ireland, the guidance highlights the use of sub-contractors and of joint tendering, noting that large suppliers can be encouraged to form alliances with smaller, creative partners. The guidance suggests that buyers should allow for tender submissions where sub-contracting is proposed, and to be open to consortia bids from SMEs.⁴⁵

The EU Code of Best Practices notes that contracting authorities are required by Community law to accept cooperation between SMEs bidding for contracts, and advises that they draw attention to this possibility in the contract notice.⁴⁶

Building capacity

The EU Code of Best Practices notes that SMEs often are not well-acquainted with public procurement language and procedures, and may face more difficulties than larger organisations when looking for relevant opportunities and drawing up tenders.

The InterTradeIreland report in 2009 supports this finding, noting that buyers have found that SMEs fail less on compliance issues and are more likely to be unsuccessful in procurement opportunities as a result of failure to write 'intelligent' tenders. The report also noted that many companies may consider tendering for public work if they were supported in improving their resources, knowledge and skills.⁴⁷

SMEs interviewed for this report suggested that training and support could include more 'Meet the Buyer' events and more advanced or intensive support for tender writing for joint working between SMEs. In a debate on public procurement in October 2011, the Minister for Finance, Sammy Wilson MP, noted that 53 'Meet the Buyer' events have been held in Northern Ireland, attended by around 2,600 people. These events have involved explaining how the procurement process works, encouraging applications and demonstrating how to apply.⁴⁸

In Wales, a project at Bangor University, '*Winning in Tendering*,' aims to transform smaller suppliers' ability to win contracts and focuses on developing their skills and

⁴⁴ Committee for Finance and Personnel: *Report on the Inquiry into Public Procurement in Northern Ireland* [online] Available at: http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_19_08_09R.htm#2

⁴⁵ Department of Enterprise, Trade and Employment *Buying Innovation: The 10 Step Guide* Dublin: Department of Enterprise, Trade and Employment

⁴⁶ European Commission (2008) *European code of best practices facilitating access by SMEs to public procurement contracts*

⁴⁷ InterTradeIreland (2009) *All-island public procurement: a competitiveness study* Newry: The Trade and Business Development Body

⁴⁸ Northern Ireland Assembly Monday 3rd October 2011 [online] Available at: <http://www.niassembly.gov.uk/record/reports2011/111003.htm#a4>

removing unnecessary barriers they face. A number of training packages have been developed which are tailored to meet the needs of SMEs.⁴⁹

The EU Code of Best Practices advocates making sub-contracting opportunities more visible and ensuring that there are equal terms for sub-contractors. This is in regard to large contracts, where SMEs are not in a position to be a prime contractor or to bid jointly with other SMEs. It also highlights the importance of providing feedback to tenderers.

Capacity building programmes/ initiatives

In Northern Ireland there are a number of programmes aiming to support SME access to procurement. These include the following:

- **Invest NI Tender Alert service:** aims to enable the identification of local and international contract opportunities for SMEs, and includes a sub-threshold component;
- **Passport to Export:** managed by Invest NI, this programme aims to facilitate export development among local SMEs;
- **Local government events:** on a smaller scale than many of the other initiatives, local government offers ad-hoc workshops, meet the buyer events and specific training programmes.

Cross-border support for SMEs in accessing opportunities includes the Go-2-Tender Programme and the Network and Getwork Programme managed by InterTradelreland. These programmes aim to support SMEs in the 'all-island' procurement market through activities such as a one-day workshop, one-to-one mentoring support, Meet the Buyer events and sector-specific events.⁵⁰

The programmes provide information on the various procurement websites available on a cross-border basis, and also seek to support SMEs in becoming well-equipped to win contracts. Research indicates that these programmes have had high levels of uptake, and that they contributed to new sales or contracts worth around £1.2m.

Research on the perceived effectiveness of these programmes suggests that they have a role to play in supporting SME access to procurement. SMEs generally thought that the interventions available to them were effective in supporting their access to the public procurement market.⁵¹

⁴⁹ Dail Post, June 23, 2011 *£3.2m contract carrot for SMEs*

⁵⁰ InterTradelreland (2009) *All-island public procurement: a competitiveness study* Newry: The Trade and Business Development Body

⁵¹ InterTradelreland (2009) *All-island public procurement: a competitiveness study* Newry: The Trade and Business Development Body

Conclusion

The evidence suggests that SMEs can have an important role to play in public procurement, particularly in terms of contributing to innovation, economic strategies and to increasing competition. However, this Research Paper has found that SMEs can face a number of challenges in accessing public procurement opportunities. These include a lack of awareness or knowledge of opportunities; challenges around the use of frameworks; capacity issues and the perceived complexity of procurement processes.

The literature proposes a number of measures to support SME access to procurement. These include simplifying procurement processes, dividing larger contracts into lots, setting requirements that are proportionate in relation to the size of the contract and building capacity among SMEs.