



Department of Enterprise, Trade and Employment
An Roinn Fiontar, Trádála agus Fostaíochta

Using **Public Procurement**
to **Stimulate Innovation**
and **SME Access to Public Contracts**

**Report of the
Procurement Innovation Group**

July 2009

Acknowledgements

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Dr Paul Davis, Lecturer in Supply Chain Management in the DCU Business School also provided invaluable assistance and guidance. In particular, Paul facilitated the Focus Groups, which was an important exercise in identifying examples of best practice in Ireland.

We would like to thank the attendees and their organisations for their time and contribution to the focus groups, which in addition to providing us with the examples also paved the way for of a network of sharing information on best practice among procurers.

We would like also to acknowledge the contribution made by Enterprise Ireland who facilitated the regional focus groups at their premises in Cork, Shannon, Galway and Sligo which resulted in a significant cost saving in the delivery of the project.

Finally we would like to thank the members of the Procurement Innovation Group for their participation, input and guidance in the delivery of this report.

Foreword

We should not underestimate the speed of change in the world economy, and the need to improve the innovation ecosystem. Innovation is important in all sectors of the economy. Public procurement is a major instrument by which Government can encourage and stimulate innovation in the Irish economy. There are opportunities now to tailor our procurement practices towards promoting innovation in the enterprise sector while at the same time delivering better and more efficient public services.



Mary Coughlan TD



Martin Mansergh TD

The public sector can drive change and is an essential element in shaping the market for innovative solutions. By using the power of the public procurement budget, we can create powerful incentives to draw on the innovative capabilities of business.

The SME sector plays a fundamental role in contributing to economic growth and employment in Ireland. The public sector is a particularly important market for small businesses, so improving our public procurement practices by removing obstacles and boosting the involvement of SMEs is a key priority.

Developing a more SME-friendly approach to public procurement will allow SMEs to make the most of their potential for job creation, growth and innovation. An increased involvement of SMEs into public purchasing will also result in higher competition for public contracts, leading to better value for money and efficiencies for contracting authorities.

We are particularly pleased that a broad range of public sector officials across the country who are involved in day-to-day procurement have worked with the Procurement Innovation Group to produce this document and the 10 Step Guide. This is a practical initiative in public sector reform, leading to tangible benefits for our economy and the citizens served by the public service. We hope that this will be the beginning of a new era, leading to smarter procurement of innovative goods and services and better value for the taxpayer.

A handwritten signature in black ink that reads "Mary Coughlan".

Mary Coughlan TD

*Tánaiste and Minister for Enterprise,
Trade and Employment*

A handwritten signature in black ink that reads "Martin Mansergh".

Martin Mansergh TD

*Minister of State at the
Department of Finance*

About the Procurement Innovation Group

The Procurement Innovation Group was established in July 2008 by the Department of Enterprise, Trade & Employment. The Group comprised representatives of industry, academia, government departments and State agencies.

The Group's objectives were to:

1. Raise awareness of the benefits of using public procurement to stimulate research and innovation;
2. Identify obstacles or problems in the current procurement process which impede opportunities for innovation;
3. Examine the potential of the Public Procurement Directives to ensure a level playing field for all innovative companies wishing to participate in public tendering;
4. Create an environment in which the potential of innovation for public procurement can be realised; and
5. Make recommendations on how objectives may be achieved.

A list of the Members of the Group is at Appendix 1.

Procurement Innovation Focus Groups

A series of focus groups were held to capture best-case examples of the procurement of innovative solutions and to examine, where possible, the procurement practices associated with these. A number of these examples are outlined in "*Buying Innovation – The 10 Step Guide*".

A second aim of the Focus Groups was to identify obstacles or problems in the current procurement process which impede opportunities for progressing procurement of innovative solutions. In addition to the work of the Focus Groups, discussions were also held with various stakeholders, and their perspectives have also been considered.

The Focus Groups were held on a regional basis and comprised different sectoral interests within the public sector. (Appendix 2 lists the public sector organisations that participated in this exercise.)

The term innovation includes innovation in products, services and how the procurement process was delivered. The types of best case examples observed by the Focus Groups varied across the organisations from software solutions, to quality assurance services to building works. The types of innovative supplier organisations winning contracts varied from local micro-enterprises, small/medium suppliers, both indigenous and international, to large multinationals.

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Executive Summary

The Procurement Innovation Group was established in July 2008 under the chairmanship of the Department of Enterprise, Trade and Employment. The Group brought together representatives from Government, business organisations and academia to consider and identify ways through which public procurement could be used to stimulate demand for innovative goods and services and to ensure a level playing field for all innovative companies wishing to participate in public tendering.

The Group has developed a handbook entitled *"Buying Innovation – The 10 Step Guide to SMART Procurement and SME access to public contracts"* which is intended for use by all public sector organisations. To give best effect to the *10 Step Guide* and to underpin the Government's innovation objectives, the Group has prepared this Report and identified thirteen recommendations aimed at fostering a culture of innovation among public procurers, exploiting the innovative potential of SMEs and improving the quality of data available on public procurement.

The need for Innovation in Public Procurement

The need for innovation across all sectors of the economy has become a priority to sustain both competitiveness and growth, and the public sector clearly has an important and growing role in this process. Public procurement is a key source of demand for firms across the various sectors such as construction, health care and transport. In Ireland the annual public procurement market for goods, services and works is valued at approximately €15 billion, therefore Government has the capacity to demand the production of innovative products and services. Market demand for new products and services has a strong influence on levels of R&D investment.

Benefits for the Public Sector

By putting innovation at the core of our public procurement practices, we have the potential to leverage the substantial investment that has been made in R&D and to create better value for money in public services, through achieving efficiencies, improved productivity, quality, faster response times and reduced whole life costs.

"better value for money.."

Benefits for the Enterprise Sector

Public procurement of innovation is often used strategically to provide a robust home market for domestic firms facing strong international competition and can be a stimulant to long- term export success. This aspect of enterprise support is underdeveloped in Ireland and as a consequence may prevent Irish companies from developing essential export opportunities.

It is a potential opportunity for firms, especially SMEs, to demonstrate their capabilities, establish their credibility in international markets and prove the viability of new products or services and to gain authoritative and essential reference contacts from the public sector.

"a stimulant to long-term export success"

Key Findings

This report and the recommendations contained herein are based on the findings of a number of inputs: a literature review, a series of regional focus groups with public procurement officials, consultation meetings with various stakeholders and a questionnaire circulated to public procurement officials on existing procurement practices. Key findings that emerged are as follows:

- Public sector officials are very often risk averse.
- Obstacles such as risk aversion arise from lack of practical experience and expertise on the part of procurers rather than from any legal considerations.
- There is little hard empirical evidence to assess the precise effects of current public procurement practices regarding stimulating innovation.
- It is frequently the supplier who identifies and initiates the innovation, rather than the procuring organisation.
- Engagement with the market prior to tender is an essential component of SMART procurement as it enables the procurer to understand and identify what is available and whether alternative solutions exist.
- Current trends in public sector procurement towards larger and longer contracts, and rationalizing the number of suppliers, means that smaller businesses often find the resulting contracts too large for them.
- Laying down overly restrictive selection criteria could exclude young, innovative enterprises.

Key Conclusions and Recommendations

- A key to successful procurement for innovation is the “intelligent customer” who is able to demand, source and identify potential new solutions, and can specify and manage contracts of this kind throughout their lifecycle.
- Professionalise the procurement function within the public sector and thereby raise the role and profile of the function.
- Each public sector organisation with a substantial procurement budget should embed the “*Buying Innovation - 10 Step Guide*” into its procurement procedures.
- Measures to improve the quality of procurement information available would reduce perceived disadvantages experienced by, in particular, small and micro enterprises.
- Sub-dividing contracts into lots and thereby further opening the way for SMEs to participate will broaden competition.
- Subcontracting opportunities should be encouraged and made more visible.
- The eTenders website should include a highly visible section to advertise low value contracts.
- Contracting authorities should avoid disproportionate qualification and financial requirements in their tender documents.

The Group believes that implementation of these recommendations will lay the groundwork for a shift towards a new form of public procurement that vigorously promotes innovation in the public sector, and gives SMEs more opportunities to access public contracts.

1. Introduction

Developing an innovation-driven economy is crucial for Ireland's competitiveness. In the *Strategy for Science Technology and Innovation 2006-2013* (SSTI)¹ the vital role of innovation is highlighted. To underpin the importance of the role of innovation the Department of Enterprise, Trade and Employment subsequently launched an Innovation Policy Statement "*Innovation in Ireland*"² in July 2008, which provides a guide to the Government's approach in fostering innovation demand and an innovation culture in the economy and in society. One of the key policy areas identified is public procurement and its role in stimulating innovation.

"An innovation-driven economy is crucial for Ireland's competitiveness"

*"Catching the Wave, A Services Strategy for Ireland"*³, published in September 2008 also emphasised the importance of using public procurement in a strategic way to support the development and deployment of innovative products, processes and services.

To drive forward progress in modernising public procurement and stimulating demand for innovative goods and services, the Department of Enterprise, Trade and Employment established the "**Procurement Innovation Group**" in July 2008. The chief mandate of this Group was to raise awareness of the benefits of re-orienting public procurement towards stimulating research and innovation and create an environment in which the potential of innovation for public procurement can be realised.

In the December 2008 publication "*Building Ireland's Smart Economy – A Framework for Sustainable Economic Renewal*"⁴ the Government reiterated the importance of this area and identified as one of its Action Points that the Procurement Innovation Group would continue to work towards creating an environment in which the potential for innovation in public procurement can be realised.

What is Innovation and what are Innovative Solutions?

Innovation is the development or delivery of a new or significantly improved product, process or service, a new marketing method, or a new organisational method in business practice. Innovation can be linked to performance and growth through improvements in efficiency, productivity, quality, faster response times, competitive positioning, market share, etc. Innovation can involve both the creation of entirely new knowledge, as well as the diffusion of existing knowledge. Innovative solutions are therefore new and better solutions.

In public procurement, seeking innovative solutions can be the seeking of a new product, process or service or in the delivery of the service or in how the public procurement process is conducted. In essence, it's about purchasing new, better and more efficient solutions in a new way.

1 <http://www.entemp.ie/publications/science/2006/sciencestrategy.pdf>

2 <http://www.entemp.ie/publications/science/innovationpolicystatement.pdf>

3 <http://www.forfas.ie/publication/search.jsp>

4 <http://www.taoiseach.gov.ie>

*“Purchasing new, better and more efficient solutions
in a new way”*

Methodology

The Procurement Innovation Group was established in July 2008 and met twice. This report and the recommendations contained are based on the findings of a number of inputs: a literature review, a series of regional focus groups with public procurement officials, a series of consultation meetings with various stakeholders and a questionnaire circulated to public procurement officials on existing procurement practices.

Literature Review: The Group reviewed a number of current major publications from Irish and EU sources addressing the key areas of general public procurement, using procurement to stimulate innovation and facilitating SME access to public procurement contracts.

Regional focus groups: To capture best practice examples from as broad a cross-section of public organisations as possible, a series of Focus Groups were held on a regional basis and comprised different sectoral interests within the public sector. Thirty public sector organisations took part in the Focus Groups in Dublin, Cork, Galway Limerick, and Sligo.

Consultations: A series of consultation meetings were held with various stakeholders including business representative organisations, officials from government departments, academics specialising in the field and State development agencies.

Questionnaire: A questionnaire on existing procurement practices was circulated to the attendees of the Forum for Public Procurement Conference in October 2008.

As a result of this work, the Group has developed a handbook entitled *“Buying Innovation – The 10 Step Guide to SMART Procurement and SME access to public contracts”* which is intended for use by all public sector organisations. To give best effect to the *10 Step Guide* and to underpin the Government’s innovation objectives, the Group has prepared this report and identified thirteen recommendations aimed at fostering a culture of innovation among public procurers, exploiting the innovative potential of SMEs and to improve the quality of data on public procurement.

“Exploiting the innovative potential of SMEs”

The Group believes that implementation of these recommendations will lay the groundwork for a shift towards a new form of public procurement that vigorously promotes innovation in the public sector.

The Case for SMART Procurement

The need has never been greater to ensure greater value for money and efficiencies, without curtailing the quality of public service provision. Improved public procurement practices could result in substantial savings to taxpayers, while at the same time stimulating enterprise development.

In Ireland the annual public procurement market for goods, services and works is valued at approximately €15 billion, therefore Government has the capacity to demand the production of innovative products and services to deliver more efficient and effective products and services.

The potential for innovation lies in better quality preparation well ahead of a planned procurement. True value for money and cost savings can be gained by routinely seeking out new solutions to public sector needs. By using clear and robust output specifications, purchasers can give firms the space to propose innovative solutions. By acting as intelligent customers and being more open to new approaches, procurers can stimulate the market for innovative products and services and encourage the growth of innovative and dynamic businesses.

“Value for money and cost savings can be gained”.

The Case for Improving SME Access to Public contracts

A large part of the creative ideas for new technologies comes from small and medium enterprises (SMEs). Public procurement is the biggest single customer-side driver that could be harnessed to catalyse business innovation activity.

A frequent cause of failure among innovative firms is an inability to get a foothold in the market. An early user of an innovative product or service provides the beginning of a firm's reference list. Innovation in public procurement can be a stimulant to long-term export success by showcasing emerging and innovative products/services and providing authoritative and essential reference contacts for Irish companies.

By encouraging small businesses to develop their innovation capabilities, a lasting legacy will be stronger, fitter businesses capable of selling to the public sector, bidding for private sector contracts, and better able to compete in international markets.

“Providing an authoritative reference for young innovative SMEs”.

Public procurers can secure the best available solution in the marketplace while at the same time stimulating innovation AND getting value for money.

In this context this report recommends actions to be implemented to ensure innovation is embedded in procurement practices. The Group further recommends that mechanisms should be put in place to advance these recommendations and to monitor their implementation.

Key Findings

The new EU Procurement Directives offer more flexibility and opportunities for purchasers to use innovation-oriented tendering. Obstacles that were identified such as risk aversion arise from lack of practical experience and expertise on the part of procurers rather than from any legal considerations.

“Public sector buyers are often risk averse”

It was found, that it is frequently the supplier who identifies and initiates the innovation (new product or service or a new way of fulfilling the order), rather than the procuring organisation. Another significant finding was that, in some cases, it was the end user of the product or service who identified opportunities for innovation to the buyer.

“Suppliers frequently have the best ideas”

One important prerequisite of innovation is that users and suppliers have the opportunity to meet and discuss needs and alternative solutions. In this way, public authorities are better able to formulate quality Request for Tender documents, which will encourage innovative products and solutions. It was found that some of the larger, more experienced organisations (with larger budgets) were more active in this area and had already developed best practice models. Some of the practices of the smaller procuring organisations were not as well developed. Therefore, there is a need for advice and support networks, with information and sharing of useful examples of various modes of procurement, setting criteria and methods of evaluation.

“A need for advice and support networks among officials”

This Report sets out to address various obstacles and shortcomings that have been identified, by recommending practical solutions.

2. SMART Procurement for a SMART Economy – Making it happen

Using public procurement in a strategic way to reflect the government's current priorities within the wider policy agenda is not a new idea. The National Public Procurement Policy (NPPP) Framework⁵ published in 2005 by the National Public Procurement Policy Unit (NPPPU) in the Department of Finance has sought to encourage a move from a focus on mere compliance with procurement rules to seeing public procurement as a more strategic function. In addition, the NPPP Framework states that one of the aims of national procurement policy is to promote whole of Government objectives where practicable and legally possible.

"Using procurement to promote other Government objectives".

Fostering other Government objectives such as innovation and sustainable development through procurement has gained momentum across Europe in recent years. While enterprises and individuals are the primary sources of innovation, it is widely recognised that public policy can enhance the framework conditions for effective innovation. The EU Reports "*Public Procurement for Research and Innovation*"⁶, (Sept 2005), "*Creating an Innovative Europe*"⁷, (Jan 2006) call on governments to "use public procurement to drive demand for innovative goods, while at the same time improving the level of public services". These Reports and stakeholder consultations concur that the crucial issue is not whether innovative procurement is feasible but how to make it happen.

"Sustaining our economy with first class services".

A major opportunity exists for Ireland now to advance its highest priority policy goals and achieve the twin objectives of an R&D driven innovative, green and competitive economy on the one hand and first class public services for its citizens on the other. To realise this opportunity requires both high-level political commitment and detailed changes of practice within the procurement community and those who work with them.

In order to achieve this it is important to have measurable targets and reporting requirements.

Recommendation 1: Each public sector organisation, with a substantial procurement budget to:

- 1.1 Adopt a Procurement of Innovation policy; and
- 1.2 Embed the "*Buying Innovation - 10 Step Guide*" into procurement procedures.

Recommendation 2: Clearly identify on tenders that an innovative solution is being sought which will facilitate:

- 2.1 Tracking the percent of the total budget spent on innovation; and
- 2.2 SMEs proposing the solution.

Recommendation 3: Each public sector organisation with a substantial procurement budget to report annually on its procurement of innovation solutions.

Responsible: All public sector organisations

5 <http://www.epronet.gov.ie/policy-guidance-documents>

6 http://ec.europa.eu/invest-in-research/pdf/download_en/edited_report_18112005_on_public_procurement_for_research_and_innovation.pdf

7 http://ec.europa.eu/invest-in-research/action/2006_ahogroup_en.htm

3. Using Electronic Means – *Doing more with data*

Better reporting could improve the information required to manage public procurement in a strategic way, on behalf not only of the Government, but also of individual public authorities. There is little hard empirical evidence to assess the precise effects of current public procurement practices. Measures to improve the quality of information available would reduce real and/or perceived disadvantages experienced by, in particular, small and micro enterprises. It would also signal to the marketplace that the Government is giving a clear direction about the importance they attach to SMART procurement in delivering other objectives.

Electronic means can greatly support and strengthen the processes identified throughout the “10 Step Guide to SMART Procurement”. Websites can provide cheap, quick and structured information to companies on such things as potential business opportunities and specific calls for tenders, as well as more general information on the buyer and the context of public procurement. During a technical dialogue they can help generate a wide interest and response and ensure good, uniform information provision to all interested parties.

“Improving the quality of information would reduce perceived disadvantages”.

Using electronic means to disseminate, collect and process information including electronic submission of offers can reduce transaction and communication costs for both the procurer and supplier.

Recommendation 4: The eTenders website to collect data to facilitate detailed reporting of statistics. This will require the contracting authorities to:

- a) Extend their use of the eTenders website to include tenders for low value purchases, below the thresholds recommended in the Public Procurement Guidelines – Competitive Process, where the number of responses would not be expected to be disproportionate.
- b) Issue Contract Award Notices (CANs) for all public procurement tenders (including mini-competition awards arising out of frameworks) on the eTenders website regardless of the value with electronic reminders sent to awarding authorities to ensure compliance.

Responsible: All public sector organisations

In addition to the above requirements on contracting authorities, necessary to gather relevant data, the revised eTenders website will require additional fields as follows:

- c) When inputting the Request for Tender (RFT) to indicate if an innovative solution is being sought, by simply ticking the box.
- d) On the Contract Award Notice (CAN), again by ticking a box to indicate:
 - i) the category of company i.e. Micro-enterprise, SME or large company that were awarded the contract. This will facilitate measurement of the number and value of contracts, both above and below threshold awarded to SMEs.
 - ii) the proportion of the tender price that will be subcontracted to SMEs. (The RFT will need to request tenderers to supply this information in their tender.)

Responsible: NPPOU – National Public Procurement Operations Unit

- e) Include a “Doing business with us” section on each public sector organisation’s website, including an indication of their future needs for the coming year.

Responsible: All public sector organisations

4. Acting as the “Intelligent Customer” – Professionalising the public procurement function

Applying the rules of the procurement framework correctly and making use of the flexibility they offer will make it possible to achieve more innovative solutions. The new procurement directives offer more opportunities for purchasers to use innovation-oriented tendering.

Successful public procurement of innovation requires well-trained officials with a range of skills such as procurement, project and contract management skills. In addition knowledge of internationally recognised technical standards is also useful for the procurement professional. Risk management is another key skill, as risk aversion has been identified as a key obstacle to procurement of innovative solutions. In terms of organisational structure, e.g. a centralised or diffuse procurement function, there is no single best structure as many different models can support public procurement for innovation, provided that procurement officials receive the necessary training and guidance.

It is important for public sector organisations to evaluate their processes and their openness to innovation through public procurement. Only in this way can their procurement policy be improved. It is desirable that policy and practice in relation to public procurement for innovation be carefully evaluated, considering the full range of costs and benefits, and the results of that evaluation fed back into improved approaches. The involvement of stakeholders in the process is critical. Evaluation provides a forum in which public procurement officials and the supplier community can review the effectiveness of measures to promote innovation. Poor quality or non-existent feedback can reinforce a belief already common amongst suppliers that the public sector selects its suppliers on the basis of lowest cost not value for money.

Public procurement professionals need the requisite combination of skills and competences to develop into a co-ordinated, well equipped and informed profession. The National Qualifications Framework currently sets out the standards for the education and training courses through both FETAC and HETAC. Any professional courses in public procurement leading to educational awards should fall within this framework to encourage lifelong learning through both formal qualifications and the accrual of credits such that they can be used to obtain exemptions from future courses taken. Any training obtained in the area of procurement should fall within an agreed set of competences identified by the professional bodies and the relevant stakeholders

“SMART procurement requires well trained staff”.

Knowledge, training, exchanges of best practice through networks and active support by the Government will enable resources to be directed towards finding new solutions to old problems.

Recommendation 5: Professionalise the procurement function within the public sector and thereby raise the role and profile of the function.⁸

⁸ This is reaffirmed by the recommendation in Section 2.9 in Volume 1 of the “Report of the Special Group on Public Service Numbers Expenditure Programmes” which states that “the Group recommends that a panel of experts should be formed as soon as possible to drive the professionalism of procurement, implement effective process and supplier management reforms and enhance the quality of staff and service to stakeholders”.

Recommendation 6: All external public procurement training courses to be accredited by an appropriate national body and to provide qualifications in accordance with the National Framework of Qualifications.

Recommendation 7: Priority to be given to “Risk Management” training to shift the culture within public procurement from “risk avoidance” to “risk management”.

Responsible: NPPPU and the NPPOU.

Sharing Information

Effective networking is so important as a catalyst for change and innovation that it is embedded in Ireland’s approach to business supports. Networking is also vital to public procurers so that they can draw on other public sector organisation’s experiences, for advice and information, lessons learnt and share best practice.

“Networking is vital for advice and sharing best practice”

It is not necessary to build up huge resources of expertise in all aspects of procurement within every single public authority. The various public authorities can and should support each other to ensure higher quality and greater efficiency. Learning networks are an excellent way to transfer practical and tacit knowledge and can be used to create supporting structures of expertise.

Recommendation 8:

- a) Establish a forum on the eTenders website for purchasers to share experiences and best practice examples of procuring innovative products and services.
- b) Establish sectoral networks of public procurers to encourage innovation similar to the EU networks that have been set up.
- c) Establish a mechanism for constructive dialogue and mutual understanding between SMEs and large buyers through activities such as information, training, monitoring and exchange of good practice

Responsible: NPPOU and All public sector organisations

5. Easier Access for SMEs

“A large part of the creative ideas comes from SMEs”.

The Government is seeking to promote competition, innovation and value for money in the delivery of public services. To achieve this goal it is important to ensure that public sector practices do not disadvantage small businesses, as a large part of the creative ideas for new technologies comes from SMEs. An increased involvement of SMEs into public purchasing will result in higher competition for public contracts, leading to better value for money for contracting authorities.

Many small firms may be discouraged from tendering for public sector contracts because of a number of perceived or real barriers. These include:

- Not being aware of contract opportunities;
- Believing that the processes involved in bidding are unnecessarily complex and costly;
- Current trends in public sector procurement towards larger and longer contracts, and rationalizing the number of suppliers, meaning that smaller businesses often find the resulting contracts too large for them; and
- Overly restrictive selection criteria.

“Increased involvement of SMEs leads to better value for money”.

While EU public procurement law ensures the opening up of markets for all economic operators, without distinction between SMEs and other types of economic operators, there are some provisions that can be utilised, which are particularly important for SMEs, as they provide solutions for problems faced by SMEs or mainly by SMEs.

The Small Business Act for Europe contains 10 guiding principles with the aim of supporting SMEs. With regard to public procurement, The Small Business Act invites Member States to:

- set up electronic portals to widen access to information on public procurement opportunities below the EU thresholds;
- encourage their contracting authorities to subdivide contracts into lots where it is appropriate and to make sub-contracting opportunities more visible;
- remind their contracting authorities of their obligation to avoid disproportionate qualification and financial requirements; and
- encourage constructive dialogue and mutual understanding between SMEs and large buyers through activities such as information, training, monitoring and exchange of good practice.

Sub-dividing Contracts

Over aggregation of contracts stifles competition as it can wipe out smaller suppliers resulting in higher prices. The Public Procurement Directives allow contracts to be awarded in the form of separate lots. Sub-dividing contracts into lots and thereby further opening the way for SMEs to participate can broaden competition, which is beneficial for the contracting authorities provided that it is appropriate and feasible.

This practice is common in many European countries. In Austrian law, contracting authorities have

the freedom to decide whether to award a global contract or to sub-divide it into separate lots. When taking such a decision, they have to take into account economic or technical aspects. While in France, in order to attract the widest possible competition, the general rule is to award contracts in the form of separate lots. However, contracting authorities have the freedom to award global contracts if they consider that the sub-division into lots could restrict competition, or make the contract technically difficult or expensive, or if the contracting authority would not be in a position to ensure the co-ordination of the performance of the contract.

It should be noted that where the value of the full requirement exceeds the relevant EU thresholds the advertising and procedural rules of the procurement Directives will, subject to some exemptions set out in Article 9 of Directive 2004/18/EC, apply to the separate lots.

Specifications and Award Criteria

Laying down overly restrictive selection criteria could exclude young, innovative enterprises. It is important to select suppliers that are financially sound and capable of delivering the solution. However, this does not necessarily mean the largest suppliers with the most extensive track record.

The main factors that constrain SMEs' access to public procurement include:

- Pressures on the resources of awarding authorities that lead to preferences for larger contracts that in turn may augur towards, poorer tender documents and awards being made on the basis of price rather than quality both of which are likely to favour larger and more experienced tenderers;
- Qualification criteria - In Latvia, the procurement monitoring bureau advises contracting authorities to refer, in the qualification criteria relating to the required experience of the tenderer, to the experience of the tenderer's staff rather than of the company. This is because the latter criterion would exclude young SMEs with highly qualified individuals; and
- Financial Standing criteria - For low-value procurements, the UK Government advises contracting authorities to request only two years of accounts or, if these are not available for objective reasons (i.e. start-up, etc), other appropriate information, such as management accounts.

Reducing the administrative burden

As SMEs normally do not have large and specialised administrative capacities, keeping administrative requirements to a minimum is essential. To cut red tape, prospective tenderers should be allowed to securely register administrative information through the eTenders website. Contracting authorities when evaluating a proposal could easily access this information. This will reduce the requirement to supply the same information to various organisations across the public sector, when bidding for contracts. The onus should be on the company to keep the information up to date.

Recommendation 9: Subdivide contracts into lots, where appropriate and make subcontracting opportunities more visible.

Recommendation 10: Contracting authorities to avoid disproportionate qualification and financial requirements in their tender documents. (Policy guidance may be required regarding financial requirements.)

Recommendation 11: The eTenders website should include a section to be used for SMEs for registering an interest in partnering opportunities with other interested SMEs.

Recommendation 12: The eTenders website should include a highly visible section to advertise low value contracts.

Recommendation 13: The eTenders website should include a secure section where companies can upload and edit administrative information to be used by contracting authorities for verification purposes.

Responsible: NPPPU /NPPOU and All public sector organisations

Appendix 1: Members of the Procurement Innovation Group

Ms. Lorraine Benson, Chair, Department of Enterprise, Trade & Employment

Ms. Wendy Gray, Department of Enterprise, Trade & Employment

Mr. Dermot Quigley, National Public Procurement Policy Unit, Dept. of Finance

Mr. Pat Leahy, National Public Procurement Policy Unit, Dept. of Finance

Mr Vincent Campbell, National Public Procurement Operations Unit, OPW

Mr. Paul Davis, DCU Business School

Mr. Martin Lyes, Enterprise Ireland

Mr. Simon Bradshaw, Enterprise Ireland

Mr. Leo Stronge, Health Service Executive

Mr. Paul Russell, Dublin City Council

Mr. Aidan Sweeney, IBEC

Ms. Anna Donegan, Irish Software Association

Ms. Avine McNally, Small Firms Association

Mr. Mark Fielding, ISME

Ms. Aileen O' Toole, Chambers Ireland

Mr. Des Crowther, Irish Institute of Purchasing & Materials Management

Secretariat:

Ms. Catherine MacEnri, Forfás

Appendix 2: Regional Procurement Focus Groups

Dublin Focus Group 1

Trinity College Dublin
Office of Public Works
An Post
The Defence Forces
Department of Finance
Irish Rail
Our Lady's Hospital Crumlin
Irish Blood Transfusion Service
An Garda Síochána
Department of Education and Science
Railway Procurement Agency
Department of Justice, Equality & Law Reform – Irish Prison Services

Dublin Focus Group 2

Department of Justice, Equality & Law Reform
Coillte
Beaumont Hospital
Office of Public Works

Cork Focus Group

Health Service Executive
Waterford Institute of Technology
Waterford Vocational Education Committee

Limerick Focus Group

County Limerick VEC
University of Limerick
Health Service Executive
Limerick Institute of Technology

Galway Focus Group

NUI Galway
Galway City Council
Galway Mayo Institute of Technology
County Galway Vocational Education Committee

Sligo Focus Group

Mayo County Council
Sligo County Council
Sligo Vocational Educational Committee



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