



Instruments and Incentives to promote SME participation in Sustainable Public Procurement

A compilation of global practices

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Introduction

Small and Medium-sized Enterprises (SMEs) are the cornerstone of most economies especially ones that find themselves in transitions in terms of economy and ecology.

The Indonesian Ministry of Co-operatives and SMEs defines SMEs based on the National Law 20/2008 (Art. 6), according to the following criteria:

- Micro-enterprises: Enterprises which have maximum net assets of IDR 50 million (ca. 3,000 EUR), not including the land and buildings used by the business; or Enterprises which have maximum annual revenues of IDR 300 million (ca. 17,800 EUR).
- Small enterprises: Enterprises which have net assets of more than IDR 50 million but less than IDR 500 million (ca. 30,000 EUR), not including the land and buildings used by the business; or
- Enterprises which have annual revenues of more than IDR 300 million (ca. 17,800 EUR) but less than IDR 2.5 billion (ca. 149,000 EUR).
- Medium-sized enterprises: Enterprises which have net assets of more than IDR 500 million but less than IDR 10 billion (ca. 595,000 EUR), not including the land and buildings used by the business; or
- Enterprises which have annual revenues of more than IDR 2.5 billion (ca. 149,000 EUR) but less than IDR 50 billion (3,000,000 EUR).

It is estimated that there are about 63 million SMEs in Indonesia, 62 million of which are categorized as medium enterprises and 750,000 of which are categorized as small businesses (Surya et al. 2021). A more detailed elaboration from the International Labour Organization states SMEs accounted for 97% of the Indonesian labour force engaged in wage employment and contributed to 57% of the national GDP in 2018 (ILO 2019).

Given the national socio-economic implications for the development of SMEs, it becomes imperative to support their growth utilizing public financing. A large share of most government finance is spent using the avenue of public procurement. Governments in countries like Cambodia, Myanmar, Vietnam, Thailand, Malaysia and Bhutan spend between 20 and 40 % of the GDP on public procurement (Prakash S. et al. 2021). The 2022 Indonesian Government Procurement Implementation Performance report published by the National Public Procurement Agency (LKPP), indicated that the total procurement plan of expenditures for government goods and services in 2022 was IDR 1,204.97 trillion (71,4 billion EUR). Of the total amount, 34.10% was planned to be utilized through direct award procedures and the rest 65.9% was to be utilized through tender procedures. Of the total share of available tenders, only 22.8% were earmarked for Micro and Small Businesses (Silalahi 2023).

Background

Public procurement by itself can be a time-consuming process with several administrative steps. SMEs often face difficulties in participating in public procurement due to a variety of reasons such as complex technical requirements, large contract volumes, high transaction costs (related to pre-qualification, bid and performance guarantees), complex tender processes, heavy reliance on price for contract award, etc. (Liesbeth C. et al. 2015). Whiles such steps and requirements

serve valid reasons such as ensuring bid and contract performance for procuring entities, they also present a hurdle to be overcome by SMEs.

National and regional governments around the world have developed and implemented instruments aimed at promoting the inclusion of local suppliers as well as SMEs into their procurement processes. Addressing this challenge within sustainable public procurement strategies poses an even greater challenge to governmental authorities and as well to private sector entities that want to provide support and participate in government tenders. The key message here is: The participation of SMEs in government procurement is at present a challenge, hence their inclusion and participation in sustainable public procurement with additional criteria for environmental and social considerations requires support and incentivization.

Supporting SMEs in Indonesian sustainable public procurement

The preamble of the Indonesian presidential regulation on procurement of goods and services (JDIH LKPP 2018) mentions the need to increase the role of micro, small and medium enterprises while achieving the goals of sustainable development (paraphrased). It goes on to elaborate further the definitions of SMEs in Articles 45-47 of the same law; and finally in clause 50 of Article 1, the definition of sustainable procurement is laid out. The practical inclusion of SMEs is laid out in Article 65 with a threshold of goods and services reserved for SMEs. Article 65 is further enhanced in the revised procurement law of 2021 (Ahmaddien I. 2021) with highlights being:

- Ministries, institutions and local governments are required to use small business products and cooperatives from domestic production.
- Ministries, institutions and regional governments as referred to in section 21 of the law are required to allocate at least 40% (forty percent) of the budget value for goods and services expenditures.
- Packages for procurement of goods and construction work or other services with a budget ceiling value of up to 15 billion rupiahs (890,000 EUR) are reserved for small businesses or cooperatives.
- The ministry that administers government affairs in the field of cooperatives and small businesses and the regional government expands the participation of small businesses and cooperatives by listing the goods/services produced by small businesses and cooperatives in an electronic catalogue to facilitate e-procurement.
- Providers of non-small businesses or cooperatives that carry out governmental work are encouraged to work in cooperation with small businesses or cooperatives in the form of partnerships, sub-contracts, or other forms of cooperation.
- Article 66 & 67 follows on with the following supportive points for SMEs and local content.
- The use of domestic products, local designs and engineering is encouraged and is to be carried out at the stage of procurement planning, procurement preparation, or supplier selection.
- Likewise, the obligation to use domestic products is operationalized or activated if bidders offer goods or services with a local content (TKDN) and Company Benefit Weight (BMP) value of at least 40%.

In terms of legislation, a firm background is provided for the inclusion of SMEs. While these instruments and strategies on a practical day-to-day and policy level can be further enhanced, it is also necessary to incentivise SMEs themselves to be more responsive to government tenders in the context of specifications that are based on sustainability criteria.

Instruments and global practices to support SMEs participation in SPP

This document serves to outline various instruments, incentives and globally applied practices that are to contribute to achieving the participation of SMEs in Indonesia's drive towards Sustainable Public Procurement. They are clustered according to policy incentives, procurement and procedural-based instruments, financial incentives, innovation incentive programs and informational instruments. Subsequent to the description of each instrument, an example of application is provided.

Policy incentives

Over time, SMEs and business at large have come to understand that the traditional aim of public procurement has been to achieve cost reduction while maintaining high efficiency and integrity in the use of public expenditure. With the advent of Sustainable Procurement, a re-orientation is needed to support the transition of both procurement practitioners and SMEs towards the new paradigm which favours green products. The following policy instruments and incentives can help achieve this goal in the medium to long term.

Strategic supplier development

Public procurement is a potent tool to develop segments of national economies by utilizing the combination of finance infusion and competition which drives innovation (OECD 2018). While in some cases domestic products may be more environmentally friendly than imported products, or they may ensure maximum value for money for the procurer, in other cases, a trade-off among the key principles of sustainable public procurement might be necessary, for instance, when a domestic product produced by a small business is not the most environmentally friendly option in the market. In such cases, procurement agencies are faced with the challenge of supporting SMEs in raising its production standards.

Strategic supplier development in this case refers to supporting SMEs to adapt their processes and or products to be more environmentally or socially friendly in order to better fit specifications and tender requirements aligned with SPP. This strategy can include promoting certification of SMEs producing traditional or local products relevant for public procurement.

Example 1: Local economic development through fostering batik industry for uniforms in Indonesia

Batik, a traditional Indonesian art craft applied onto fabric and a symbol of Indonesia's identity received the World Cultural Heritage recognition by UNESCO in 2009. In the same year, the Indonesian government established October 2 as national batik day through Presidential Decree No. 33. This recognition resulted in the emergence of many new batik industrial and rural centres. Today, batik production is still dominated by low-budget markets and family- and women-led SMEs (Gunawan et al. 2022). Therefore, the batik industry sector has a strategic role in local economic development as well as employment absorption, and is fostering the growth of the national creative industry (Indrayani and Triwiswara 2020).

In the past, this industry has been the focus of targeted governmental support through different strategic measures. One of them was adopting the practice for all employees of both the public and private sectors to wear batik every Friday. This initiative has strengthened the batik clothing industry through the demand of batik-patterned fabrics for school, office, and civil servant uniforms.

However, the batik industry faces many challenges regarding the environmental impacts of its production practices. Therefore, the Ministry of Industry has attempted to implement a Green Industry Standard (GIS) for the batik industry through Regulation Number 39 of 2019 (Indrayani and Triwiswara 2020; Kusumawardani et al. 2021). Moreover, the potential of low-tech innovations for the industry has been tested (Maninggar and Hudalah 2018). Despite these strategic efforts, there is still high potential for improvement in the industry through further policy interventions favouring eco-batik for public procurement. Integrating sustainability criteria within public procurement of batik uniforms can also contribute to encourage adaptation and innovation in existing SMEs and even support the early stages of new firms with environmentally friendly production.

SPP tenders dedicated to SMEs

Indonesian law already stipulates that a certain percentage of governmental procurement contracts are awarded to SMEs. This is an effective approach to support local markets and incentivize participation of SMEs in general public procurement. The implementation of this measure is especially feasible at the local level and has been successfully applied for achieving social impact through procurement. Of course, quantifying the number of tenders including sustainability criteria would be relevant in the effort to monitor and evaluate SPP performance.

Example 2: Colombian procurement law allows tenders limited to MSMEs

With the purpose of facilitating affirmative actions in public contracting with MSMEs, to foster their development and promote job creation, the Colombian Law 1150 of 2007 provides for the possibility of granting exclusive participation to MSMEs in certain contracting processes. Decree 1082 of 2015 mandates state entities to limit tenders to national MSMEs in certain procurement modalities (public bidding, abbreviated selection and merit-based competition) provided that specific conditions are met. One condition is that the tender has a procurement value of a maximum of USD\$125,000 (111,000 EUR). The other condition is met if at least three national SMEs officially request that the specific tender is kept limited for bidders from small companies. Local entities may also limit tenders to SMEs if an official request is issued by three MSMEs registered in the municipalities where the contract is to be executed. These requests shall be submitted in the period between publication of preliminary documents and the opening of the procurement process (Colombia Compra Eficiente 2019).

Example 3: Food and catering tenders reserved for social enterprises in Vendée, France

In 2010, local authorities in Vendee decided to promote the use of high-quality and organic products in schools. To implement this, tenders were planned for the sourcing of products from organic producers of vegetables, fruits and dairy products. Following a needs analysis (market readiness survey), a social enterprise which employed disabled people to produce certified organic products was found. Local authorities advertised a reserved tender and contracted the firm in 2011 to supply organic food to over 30 schools. In the subsequent years of 2012 and 2016, further reserved tenders and contracts were awarded to the social enterprises employing 55%-100% disabled people (EASME 2020).

Support SME with certification costs

A common challenge in SPP is providing suitable verification means to show compliance with environmental criteria. Ecolabeling for products is an effective way to demonstrate and verify compliance in sustainable public procurement. However, the ecolabelling of products requires certification by accredited institutions and third-party verification. For SMEs, the process of criteria verification can be very lengthy and costly (Prakash S. et al. 2021). Facing these challenges, the government can provide support to SME by means of financial provisions for the costs of testing and certification. Another approach to SMEs support is to introduce grace periods for certification fees and third-party verification as requirement for inclusion in green E-catalogues for SPP.

Example 4: Brazilian certification initiative

Through the Brazilian Micro and Small Business Support Service (SEBRAE), an organization that implements programmes to small businesses to promote growth, entrepreneurship and employment, SMEs are offered innovation and technological services to refine both their products and services. This is done through the “Sebraetec” programme. Services such as product design, ISO certification, OHSAS certifications and other such certifications are subsidized for SMEs, thereby reducing their financial burden and facilitating their ability to meet such requirements in sustainable public procurement (Aguilar S. 2016).

Example 5: Grace period as support for certification costs in Thailand

Grace periods can be used as a strategy for overcoming the barrier posed by the high costs of certification, and thereby support SMEs. The Thai government provides a grace period of 2 years for those green products and services companies who wish to enter the “Green Cart”, the Thai green product catalogue for SPP. In order to be included in the Green Cart, companies are allowed to self-declare their compliance with the green criteria. In the course of the two years, companies may be asked randomly to verify the compliance with the claimed criteria. If false claims are evidenced, the Thai government may apply sanctions (Prakash S. et al. 2021).

Procurement and procedural-based Instruments

SMEs often face difficulties in participating in tender processes and fulfilling contract award requirements. Barriers for SMEs related to public procurement activities range from the size of tenders to advertising channels for procurement opportunities, characteristics of the application processes, and pre-tender qualification requirements (Cases i Sampere et al. 2022). Incorporating SPP criteria further adds to this complexity and creates an even higher barrier to SMEs. The instruments and incentives elaborated below are intended to support SME participation by building capacities for procurement processes.

Capacity building for SMEs participation in SPP tenders

This form of support is aimed at developing capacities in SMEs on how to properly respond to procurement requests in addition to complying with sustainability criteria. Capacity building measures in this area can be further tailored for SMEs who are totally new to formal procurement processes or companies which are familiar with traditional procurement in need of strategies to comply with and provide evidence of compliance with additional aspects included in green tenders.

Example 6: Building SME tender responsiveness in Scotland

The Supplier Development Programme (SDP) is a partnership between local authorities, the Scottish government, and other public bodies with the aim of providing expert training, support, and information to aid Scottish SMEs win contracts with the public sector. The training events are tailored to different levels:

- Level 1: SMEs that have had little or no experience of tendering and would like to become 'tender ready' and build in-house capacities for government procurement.
- Level 2: SMEs that have some experience of tendering with varying success but would like to become more proficient.
- Level 3: Companies and SMEs with extensive experience and success in tendering. This level explores potential new markets (including overseas) and capacity building.

Above, the SDP programme offers a workshop called "Winning contracts with a sustainable bid" which covers environmental and social issues, the aim being to support members meet sustainability criteria outlined in Scotland's Procurement Reform Act 2014 (Supplier Development Programme 2023).

Exhibit flexibility in procurement processes

Procurement entities should strive for streamlined and simple processes wherever possible. It is essential to embody the spirit of procurement not as gatekeepers to public financing, but rather as a bridge between governmental objectives and SMEs looking to fulfil these needs. While large corporations can easily provide documentation and evidence to support bids, SMEs often have limitations to provide these at short notice or in the format required by procuring entities. Ways in which national and local authorities can offer more flexibility in procurement processes are (Cases i Sampere et al. 2022):

- ensuring that tender documents are clear and describe clear outcomes in terms of what good or services are required;
- announcing planned procurement activities with enough anticipation to allow SMEs to prepare the documents required;
- establishing open and clear lines of communication for questions and support during tender, contract and performance stages of procurement;
- formulate procurement needs so that innovative solutions from SMEs are also allowed;
- reducing the amount of documentation and supporting evidence required for SMEs.

Example 7: European Commission brings together public buyers and suppliers for strategic public procurement

In 2023, the European Commission decided to launch a project 'Big Buyers Working Together' to bring together and support collaboration between public buyers to promote public procurement as a tool to achieving innovative and sustainable solutions. Producers and suppliers are also invited to engage in dialogue sessions and present solutions to identified needs. Such communication can enhance the clarity of procurement requests and tenders and thereby improve the responsiveness of suppliers. In sessions organized in 2022, four procurement working groups engaged with 61 companies and business organizations, including SMEs (European Commission 2023a).

Allow cooperative or joint procurement (temporary unions)

As a form of support for SMEs, procurement processes can allow to form cooperatives, consortia or temporary unions in response to tenders. Through such configuration, SMEs can take on tenders under the same conditions and of the same volume as it is done by large firms. Grouping SMEs in this way allows them to consolidate on their individual capabilities and strengths by jointly meeting the requirements of experience and economic solvency.

Example 8: Chilean legislation in support of joint ventures by SMEs for public procurement

In 2003, the government of Chile approved legislation to allow the creation of consortia or joint ventures by SMEs in response to governmental bids (Kotsonis T. and Masons P. 2020). The legislation, referred to as Directive 22 and further revised in 2015, allows the formation of a 'Temporary Union of Suppliers (UTP)'. The consortium can then participate in larger tenders. Using UTP legislation, procuring entities have the legal basis and implementation guidelines to promote the participation of SMEs in tender processes.

Framework agreements

Framework agreements can be utilized by procuring entities to purchase recurring items that are frequently procured from SMEs or consortiums including SMEs. Grouping procurement needs in this manner reduces the transactional cost for laborious one-off tenders and enables SMEs to plan their business operations appropriately.

Example 9: Honduras uses framework contracts to source food products from SMEs

The Honduran public procurement authority in collaboration with the ministry of health is utilizing a framework contract to supply hospitals with food sourced from SMEs. The framework agreements are utilized by the Honduran hospital network to purchase tortillas (a traditional maize derivative) from SMEs. This supports SMEs participation in government procurement, increases their competitiveness and provides a ready market for their products (Liesbeth C. et al. 2015).

Encourage the use of smaller contract sizes (lotting)

The division of contracts into smaller parts can be beneficial to SMEs for a wide variety of reasons. Large contract sizes come with higher requirements for performance guarantees and other administrative costs. Especially in tenders related to construction works, possible bidders require large funds which usually limits SME participation. According to a 2019 report of the EU Commission, the subdivision of contracts into lots (where 10-19 lots were created) was correlated to higher access to contracts by SMEs. The division of contracts into lots also opens up the procurement process to more competition, meaning a higher potential for more bidders (de Bas et al. 2019). In individual lots, the financial and technical requirements are lower. The narrower scope of the tenders means that the content of each lot may correspond more closely to specialised SMEs.

Example 10: Chile Passes legislation in support of lotting to the benefit of SMEs in public procurement

In January 2023, the government of Chile approved Public Procurement Directive No. 43 with the objective of encouraging the participation of MSMEs in public procurement (Dirección Chile Compra 2023). Under clause 3.5, this directive stipulates the regularization of lotting as a tool to mitigate anti-competition. With such clear legal backing and guidelines, procuring entities have the opportunity to break contracts into smaller parts without risking legal backlash from well-established firms that would otherwise edge out MSMEs.

Example 11: German tool for partial lot formation in line with the needs of SMEs

The German Act against Restraints of Competition (GWB) in section 97(3) obliges public contracting authorities to give priority to the interests of small and medium-sized enterprises when awarding public contracts. For this, it is stipulated that public purchasers should award services divided up in terms of quantity (partial lots) and separated according to type or specialist area (specialist lots). An exception to this principle can only be granted on the basis of economic requirements or for technical reasons. In order to facilitate the handing of this obligation to form partial lots, the Federal Ministry of Economy and Technology (today Economy and Climate Protection) provides public contracting authorities with an online calculation tool. Based on the total contract volume and the planned service time, this tool helps to determine which is the ideal lot size for a typical medium-size company in the relevant service area of various sectors (BMWK 2014).

Greater weighting to social and environmental criteria in public procurement

Defining greater weights on social and environmental criteria for tender evaluation and contract award can encourage SMEs to participate more in SPPs. The work of SMEs is often fully integrated in local communities, and they are more responsive to social issues. Procuring entities can reduce the emphasis on cost and include weights for social and environmental criteria as part of the evaluation process.

Example 12: Indonesia uses legislation to support local content and small businesses in sustainable public procurement

In a presidential regulation (No. 16/2018 and further reinforced in No. 12/2021), Indonesia introduced legislation to include local content and socio-environmental criteria in public procurement (JDIH LKPP 2021). Using the principles of Local Content (TKDN) and Company Benefit Weight (BMP) in tender preparation and evaluation, local products are given a boost by being given percentage price preference. SMEs can apply for the BMP certification to receive percentage points for empowerment of micro and small businesses and small cooperatives through partnerships, maintaining occupational health, safety and the environment, empowering the environment (community development) and providing after sales services. BMP certification is then used together with TKDN to discount the value of bidders whose TKDN exceed 25%. A price preference of up to 25% can be awarded in this case. SMEs can apply for a Company Benefit Weight (BMP) from the Ministry of Industry.

Financial Incentives

Finance is a cross-cutting issue when it comes to procurement both in terms of procedure and contract performance. SMEs often lack the funds to participate in procurement processes requiring financial guarantees and high contract performance bonds. Financial incentives in this section mainly address costs inherent in the procurement process. Strategic finance incentives for raising production standards of

selected products and services has been addressed in previous sections (see strategic supplier development and capacity building).

Facilitate access to preferential and sustainable finance

In the last decade, green, sustainable or climate finance has grown to become a key feature in financial markets. Governmental interventions through national or development banks are further suitable channels to ease the access of SMEs to capital. Sustainable product and process innovation often goes along with increased cost which SMEs often do not have. Beyond the possibility of complying with requirements from conventional public procurement processes, SMEs may face significant financial barriers in qualifying to SPP tenders due to the need to offer innovative and environmentally preferable products and services. Facilitating access to capital with favourable rates would incentivise innovation and allow participation in SPP by providing SMEs with sufficient liquidity.

Example 13: Brazilian development Bank provides SMEs preferential credit lines

The Brazilian Development Bank (BNDES) offers a credit card to SMEs (through several commercial banks), with preferential interest rate, with a pre-approved credit line of up to BRL 2 million (ca. 370,000 EUR) which can be used on an e-catalogue of products and services hosted and maintained by the development bank. The finance facility is available only to SMEs with annual gross revenues under BRL 90 million (16.7 million EUR) and is particularly popular among MPEs struggling to receive bank loans (OECD 2020). This financial incentive promotes SMEs participation in SPP by facilitating a credit line for services relevant to technological improvement and demonstrating conformity in SPP tenders. Among other products and services, the card can be used for the acquisition of conformity assessment services (calibration, certifications, laboratory tests) as well as accreditation services. The card can also be used to finance investment in research, development and innovation (RD&I) and technological extension services (Cartão BNDES 2023).

Reduce financial guarantees for tenders and contracts

In order to secure the performance of companies, financial guarantees are used both during the bidding process and during contract performance (bid and/or performance guarantees, also referred to as bonds or warranties). These can be significantly based on the estimated volume of the contract. This places a financial burden on small enterprises. Therefore, in order to promote participation in SPP, these requirements should be relaxed or removed where appropriate. Legislation directly addressing this issue is required to allow procuring officers implement such reductions or removals of guarantees.

Example 14: Evaluating the need and number of requests for guarantees for SMEs in Chile

In January 2023, the government of Chile approved Public Procurement Directive No. 43 with the objective of encouraging the participation of SMEs in public procurement. Clause 3.4 of this directive provides guidance on the use of guarantees for tendering contracts aimed at SMEs. The directive points out the difficulties faced by SMEs in obtaining financial instruments such as guarantees. It recommends the following measures to reduce the financial burden on SMEs during tendering:

- Warranties should be proportional to the amount of the purchase. Furthermore, different instruments should be accepted such as surety bonds, demand vouchers, demand insurance policies or surety certificates.
- Presentation of guarantees taken by a third party other than the bidder should be admissible.
- Entities should avoid requesting guarantees on purchases below defined regulatory thresholds and request guarantees for reasonable amounts, considering the difficulty of liquidity and access to financial institutions, especially for smaller companies. In the case of the guarantee of faithful performance of the contract, it is suggested to establish amounts close to the regulatory minimum (5% of the total amount of the contract)
- Prioritizing alternatives to safeguard compliance with the contract and, when possible, omitting the requirement of guarantees. Some of these alternatives are payments associated with the approval of the acceptance reports; fines associated with deficiencies in service levels; negative ratings of the supplier, the results of which are recorded in the system.

Innovation procurement programs

Innovation procurement is a way to open up public procurement to innovators, including start-ups and innovative small and medium-sized enterprises (SMEs) (European Commission 2021). Through this procurement approach, the procuring entity can either buy the process of innovation (Pre-commercial Procurement or PCP) or the outcome of innovation (Public Procurement of Innovation or PPI). In PCP, the need to be met is described in order for businesses and researchers to develop innovative solutions. In many cases, these innovative solutions are developed by start-up companies (SMEs) and are not yet available on the market. In PPI the procuring entity acts as an 'early' adopter of an eco-innovation or product newly introduced to the market (Innovation Procurement Platform 2023). In this context, it can be used to effectively support SMEs to launch and test products and solutions which may otherwise not be marketable.

Awards are also a good incentive to publicly showcase sustainable, circular and innovation procurement in practice. In the EU, the Procure+ Awards¹ yearly recognize successful, sustainable, circular and innovation public procurements which has led to significant improvements of public goods, services, processes and infrastructure.

¹ <https://procuraplus.org/awards/>

The selected procured solutions will have a strong potential for replication and scaling up and will be an excellent showcase in using sustainable, circular and innovation procurement instruments to purchase cutting edge solutions (Procura+ Network 2023).

Example 15: Canada's innovative solutions program for SMEs

To stimulate and increase technology research as well as the development and commercialization of innovations, Canada has implemented a program for SME's and start-ups to overcome the challenges of technology testing and product development (Government of Canada 2023). The program has two streams:

- **Challenge stream:** Procuring entities and or local authorities identify a need or define a needed product. Tenders and proposals are requested from SMEs in response to the needs identified. The selected SME is supported and financed to research and develop the proposed solution.
- **Testing stream:** SMEs are invited to pitch their ideas and products to governmental departments. Selected products and services are procured and tested by governmental agencies giving SMEs the opportunity to finetune their products before launching them on the wider market.

Informational Incentives

Identification of the most efficient means of communication with SMEs is crucial and must be done recognizing their differences (size, geography, language, etc). Procurement is often complicated by the avoidance of communication during tendering processes. This, however, can be changed by communicating transparently with all firms. The following tools are aimed at addressing this information gap.

Timely information and communication with SMEs

Access to tender publications can present a challenge to SMEs. SMEs can be approached and provided with information on tender openings in various ways (Cases i Sampere et al. 2022). Where possible, local languages can be used for effective communication. Easy to access procurement portals, local newspapers and community radio stations can also be used for announcements. Understanding how SMEs find procurement opportunities is important when considering how to communicate with them most effectively. It will take efforts from both procuring entities and SMEs to establish trust in SPP processes. Where appropriate an 'SME Desk' can be set up to answer questions on SPP processes at all stages of acquisition.

Example 16: E-tendering in the European Union

With basic information and a valid email address, SMEs and larger firms can register to access the eProcurement platform for the EU. Without registration, all tenders are still published and accessible on the online platform known as Ted eTendering. The platform provides free electronic access to calls for tenders published by EU institutions, agencies and other related bodies. SMEs and other firms can access the platform freely and at any time. Tender documents are easily download and are often provided in multiple languages depending on the member state making the tender. Bidders also have the opportunity to submit questions and see responses publicly on the platform. Furthermore, email alerts are regularly sent to registered firms on new tenders published (European Commission 2023b).

Final considerations

The importance of SMEs for socio-economic development cannot be understated. Harnessing their size in transitioning economies can make the difference in shaping national production and consumption patterns. While promoting their participation in SPP, it is crucial to recognize that one size does not fit all. Therefore, instruments and incentives must be designed to suit local conditions. Data will be crucial in refining interventions to suit the local situation or industry segment.

A lot of instruments are in place or have been tested to promote the participation of SMEs in public procurement. This does not automatically translate to increased participation in SPPs; specific incentives for this are still needed. If, for example, no support is provided to SMEs (to improve their environmental performance), SPPs could give an unfair competitive advantage to large companies that are able to comply with such criteria.

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