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SPEECH OF PRESIDENT ROUBAUD

Round Table on « Public Procurement »

Brussels, 19 October 2006

**“ACCESS TO PUBLIC PROCUREMENT FOR EUROPEAN SMES,
A VITAL COMMITMENT”**

Madame la Ministre,
Honourable Members,
Ladies and Gentlemen,

Why should we worry today about SMEs' share in public procurement?

I see several very convincing reasons:

First of all, public procurement is of the utmost importance in the economic field, in all countries. In France, it represents between sixty and one hundred and thirty billion euros. At European level, it accounts for one thousand five hundred billions euro, which means sixteen per cent of Gross Domestic Product.

For small and medium sized enterprises, which are the backbone of European economy, better participation to public procurement means more competition, more opportunities to create jobs and more innovation.

Secondly, in the competition field, better participation to public procurement favours a more diversified economic environment and an increased range of participants.

It means real competition; it means reducing risks of hidden agreements and allowing a public procurement policy based on quality.

For several years, French governments have been working in encouraging SMEs' participation to public procurement.

Several new measures are set up in the last version of the French Public Procurement Code implementing the two thousand and four EU directives. They will have a positive effect for SMEs only if public contractors play a fair game. I would like to stress out some of these measures:

- Smaller lots are now the principle, but public contractors could still call for exceptions to this principle as smaller lots represent an administrative burden to them.
- The lack of references is not considered as a barrier anymore. Public contractors must look for and assess companies' technical and professional skills.
- Requirements must be proportionate to the tender and to its specifications.
- Within the framework of a restricted call for tender, public authorities can fix a minimum number of SMEs tenderers allowed to submit an offer.
- An Economic Observatory for Public Procurement is set up. Its main task is to produce data and figures on a yearly basis on public procurement awarded to SMEs.

Nevertheless,

- Although the legal environment in France is becoming friendlier for SMEs in spite of international and European barriers,
- Although SMEs are satisfied with the situation in public works and construction sectors,

it is still accurate to say that :

- Innovative SMEs are too often evicted from public tender processes as contracting authorities estimate their financial capacities too weak,
- Start-up SMEs encounter difficulties in accessing public tender processes as they lack references,
- Such an unbalanced economic situation, backed by an international agreement, is not bearable anymore. European SMEs cannot fight equally with their competitors.

For the European authorities to receive well the message, may I remind you that French SMEs are not asking for a "part réservataire", quotas or quantitative obligations in awarding public contracts. Such policies would have negative effects on sectors where SMEs are already well represented in public procurement.

It is important to stress that as the American policy for SMEs is often shown as a model, French SMEs do better than the twenty three per cent of public tenders reserved to American SMEs. French SMEs score around forty per cent although these figures are not always visible.

We are looking forward to reading the data to be established by the new Economic Observatory on Public Procurement.

What CGPME wants is that the GPA stops being a tool that endorses unfair competition situations in favour of American SMEs.

The GPA must favour the implementation of a friendly environment with clear targets to be reached in terms of participation of innovative SMEs.

What we clearly want is that the European Union draws the consequences of the Lisbon strategy and adopts an offensive behaviour within the framework of the GPA.

On March the thirteenth, did not the Council of Ministers of the European Union ask for the European Commission to review the rules and practices regarding public procurement, focusing on SMEs' specific needs ?

Ladies and gentlemen, I would like to thank you all for your attention.

Enclosures :

- Annex 1 : SMEs' share in public procurement
- Annex 2 : Potential means to be implemented after obtaining GPA derogatory provisions.

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ANNEXE 1

SMEs’ share in public procurement

Currently, data about SMEs’ share in public procurement lack of visibility.

- European Commission Survey carried out in 2004:

The data in this survey lack of relevance considering that:

- The report is not based on the official European definition of SME as it excludes the criterion of independence.
- The report is based on deductions from a low number of public contracts. It considers only forty per cent of public procurement under the European legislation and published in TED (tenders electronic daily) in 2001, i.e. sixteen per cent of European public procurement.

Therefore, an important part of contracts is excluded from the scope of the survey.

- The report analyses only the results by number, and is not completed by results by value.
But the multiplicity of contractors creates numerous low value markets with limited economic impact.

In this report, the European Commission appears slightly optimistic by stating that access of SMEs to public tenders amounts to seventy eight per cent.

Nevertheless, this data seem to be overrated, in so far as the European Commission considers every company under 250 employees as SMEs, including the subsidiaries of larger companies.

- Economic census report of public procurement carried out in France in 2004 :

Compared to the survey of the European Commission, the Economic Census report, based on the whole of the market prompts the following remarks:

- Considering only 2 criteria of the European definition of SME, the number of employers and the turnover, SMEs are awarded seventy three per cent of public procurement contracts, or forty nine per cent of their value.
- Adding the criteria of independence, SMEs' share in public tenders falls to sixty four percent in number, and thirty six per cent in amount.
- There figures cover up strong disparities considering :
 - = *the category of public contractor*: only fifty five per cent in number and twenty one per cent in value of public procurement were attributed to SMEs,
 - = *the value and the duration of the contracts*: SMEs' share decreases strongly for four year and more contracts,
 - = *the sector of activity*: In the public works sector, especially for local authorities contracts, SMEs' access is high (thirty two per cent). Nevertheless, this is not the case in other sectors as supplies (twenty three per cent) and services (eleven per cent).

- Survey carried out by the "Small Business Service" in Great Britain, in 2005

Small enterprises' share (less than 250 employees, independents or subsidiaries of big companies) amount to twenty two per cent of British public procurement, excluding defence and health markets.

- Data provided by important public organisations

Below are some examples (in volume):

- European Space Agency: SME = six per cent (included subcontract)
- Defence delegation (France): SME = five per cent (included subcontract)
- Direction of shipbuilding (France): SME= eleven per cent
- Thalès (prime contractor of important public procurement): SME = seven per cent

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ANNEXE 2

**Potential measures to be implemented after
obtaining GPA derogatory provisions**

The French government recommends:

- To respect the non discrimination principle: measures should not be based on nationality of companies. That is to say that support should be given to all SMEs from all the contracting parties of GPA regardless of their nationalities.
- To consider the competitiveness of the tenders: the goal is not to establish an obligation to attribute tenders to SMEs aside from an appreciation of the competitiveness of the offers, notably compared to the big companies' offers, to avoid inflationist impacts.
- To implement preferential measures rather than quotas: The aim is to support competitive SMEs rather than imposing quotas and quantitative obligations to public authorities.

- To focus on innovative SMEs : Innovative SMEs are facing specific difficulties due to their own nature, notably their small size and the uncertainty of their duration, to award public tenders.
- To introduce monitoring and reporting measures: to guarantee a statistical follow-up of SMEs' share in public procurement per sector, and per value, and to raise public authorities' awareness regarding the difficulties SMEs face in accessing public procurement.

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