ALL-ISLAND PUBLIC PROCUREMENT: A COMPETITIVENESS STUDY

October 2009

InterTradeIreland

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Contents

Glossary of Terms

AMI	Asset Management Ireland
CBI	Confederation of British Industry
CEB	County Enterprise Board
CIPS	Chartered Institute of Purchasing and Supply
CoPEs	Centres of Procurement Expertise
CPD	Central Procurement Directorate
CPI	Consumer Price Index
CSA	Central Services Agency
CSR	Comprehensive Spending Review
DBFO	Design, Build, Finance, Operate
DCC	Dublin City Council
DCU	Dublin City University
DE	Department of Education
DEL	Department for Employment and Learning
DETE	Department of Enterprise, Trade and Employment
DETI	Department of Enterprise, Trade and Investment
DFP	Department for Finance and Personnel
DOE	Department of the Environment
DSD	Department for Social Development
EC	European Commission
ECC	Engineering and Construction Contract
EEN	Enterprise Europe Network
ELBs	Education and Library Boards
ESA	Education and Skills Authority
ESB	Electricity Supply Board
ESRI	Economic and Social Research Institute
EU	European Union
GB	Great Britain
GCCC	Government Construction Contracts Committee
GDP	Gross Domestic Product
GNP	Gross National Product
GVA	Gross Value Added
HSE	Health Sector Executive
IBEC	Irish Business and Employers Confederation

ICT	Information and Communication Technology
IIPMM	Irish Institute of Purchasing and Materials Management
IMCA	Institute of Management Consultants
ISNI	Investment Strategy for Northern Ireland
ITT	Invitation to Tender
ITI	InterTradeIreland
NDFA	National Development Finance Agency
NI	Northern Ireland
NIBTS	Northern Ireland Blood Transfusion Service
NICEIC	National Inspection Council for Electrical Installation Contracting
NIHE	Northern Ireland Housing Executive
NOU	National Operations Unit
NPPPU	National Public Procurement Policy Unit
NRA	National Roads Authority
NTMA	National Treasury Management Agency
OGC	Office of Government Commerce
OPW	Office of Public Works
PFI	Private Finance Initative
PINs	Prior Information Notices
PfG	Programme for Government
PMI	Purchasing Managers Index
PPP	Public Private Partnership
PPPG	Public Procurement Practitioners Group
PQQ	Pre-Qualifiaction Questionnaire
PwC	PricewaterhouseCoopers
RPA	Review of Public Administration
RSS	Regional Supplies Service
SEEs	Social Economy Enterprises
SIB	Strategic Investment Board
SMEs	Small and Medium Enterprises
SWRC	South West Regional College
TED	Tenders Electronic Daily
UK	United Kingdom
VAT	Value Added Tax

Acknowledgements

InterTradeIreland commissioned KPMG (led by Stephanie Morrow) and Envision Consulting to undertake the research for this report. The research for the report was finalised in May 2009.

We would like to thank the members of the Steering Group and Advisory Panel for providing valuable insight and direction to the final report.

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1 Executive Summary

1.1 Terms of Reference and Methodology

InterTradeIreland commissioned KPMG and Envision Management Consultants (hereafter referred to as Envision) to research and complete a policy paper to make recommendations for mutually beneficial cooperative initiatives to enhance the competitiveness of Small and Medium Enterprises (SMEs) to access public procurement opportunities on the island of Ireland.

The high-level objectives of this study are:

- To provide InterTradeIreland with a more comprehensive understanding of the dynamics of the public procurement market on the island of Ireland.
- To make recommendations for mutually beneficial cooperative actions in the following areas:
  - The provision of supports (by InterTradeIreland and other organisations, North and South) to build company capacity and capability;
  - The identification and removal of barriers preventing the operation of an open all-island public procurement market; and
  - The use of public procurement to drive innovation.

1.2 Context for the Study

The context for the study is provided by the following elements:

1. EU and national legislation and policies: These are designed to open up public procurement markets for all economic operators, without distinction between SMEs and other types of economic operators. This is intended to create the conditions for maximum efficiency and competitiveness within these markets.

2. Provisions to provide access to public procurement markets by SMEs (or mainly by SMEs): These range from certain rules and supports to business in Member States[1] to the recently published 'European Code of Best Practices Facilitating Access by SMEs to Public Procurement Contracts (Code of Best Practices)'[2].

3. Differences in the structural landscape of public procurement on the island of Ireland: Since the Review of Public Procurement in 2001, there has been a high degree of centralisation in public procurement in Northern Ireland, which is shaped around the Central Procurement Directorate (CPD). By contrast, the public sector procurement market in Ireland has always been more fragmented and decentralised, with each public body performing procurement functions independently within the framework of EU/ national laws and national guidelines. However, the increasing complexity and importance of purchasing decisions by public bodies is leading to gathering momentum for the centralisation of public procurement.

4. Impacts of the economic downturn and associated budgetary pressures: It was evident throughout the research, that there was an increased focus and interest in learning from practice 'in the other jurisdiction' to expedite actions to enhance public procurement practice and avoid 're-inventing the wheel'. Allied to this, actions to improve North/South collaboration between buyers were viewed to be critical in the efficient and effective delivery of public services, with associated scope for cost savings, on an all-island basis. A case study of this principle in action is set out in the main body of the report.

[1] For example, *Accelerating the SME Economic Engine: throughout transparent, simple and strategic procurement* [in the UK] (November 2008); Equality Commission for Northern Ireland / CPD, *Equality of Opportunity and Sustainable Development in Public Procurement* (May 2008); Procurement Innovation Group (Ireland), *Using Public Procurement to stimulate innovation and SME access to public contracts* (July 2009).

[2] The Code of Practice aims to provide contracting authorities in Member States' with general guidance on how they may apply the EU legal framework in a way which enables SMEs to participate in contract award procedures and highlights a number of national rules and support programmes that facilitate access to public contracts by SMEs.

1.3 Scale, Dynamics and Characteristics

The research with buyers suggests that the public procurement market on the island of Ireland is worth circa €19bn (£15.2bn). This figure comprises an indicative annual spend of €2.8bn (£2.24 bn[3]) in Northern Ireland (based on 2008-2009 data) and in the region of €17bn (£13.6bn) in Ireland (based on 2007-2008 data). These figures, if combined[4], would represent a sizable proportion of the economic activity on the island of Ireland, equating to circa 10.3 per cent of the current Gross Domestic Product (GDP) (circa €184bn in 2008-2009) of the island of Ireland[5].

Recent figures from the CPD[6] suggest that public procurement expenditure (which falls under the responsibility of the CoPEs) has increased over recent years, from circa £1.6bn in 2002-2003 to circa £2.2bn in 2007-2008. Indeed, discussions with all of the CoPEs and other buyers in Northern Ireland suggest that the procurement spend is forecast to remain steady in the short-term. In some instances there was even projected increases in expenditure reported by some buyers (e.g. Roads Service) linked to the timetabling of major infrastructure projects.

Discussions with buyers from Ireland suggested that the public procurement market 'peaked' around 2006-2007. By contrast with Northern Ireland and in line with the recent public sector budget cuts, the general message in Ireland, going forward, was one of projected contraction in procurement expenditure.

The research with buyers in both jurisdictions provided evidence of an upsurge in interest in public procurement opportunities in recent months, which was viewed to be driven in part by the current economic downturn, where in relative terms, the public sector was often viewed as a more 'stable' source of potential income. As such, there were constant references throughout the study to an increasingly 'hungry and competitive' market.

The buyers interviewed within the research programme for the study, in the main indicated very low levels of tendering activity from the 'other jurisdiction'. Within this, there are more examples of Northern Ireland SMEs winning contracts with buyers from Ireland, than the reverse. This is consistent with the fairly high levels of use of eTenders by suppliers from Northern Ireland and the findings of the SME survey (detailed in Section 5 of the main report). In effect, there was multiple evidence sources within the research suggesting that cross-border tendering activity is extensively dominated by North to South 'traffic' rather than the reverse.

The statistics provided by CPD on the activity levels of suppliers from North and South within their eSourcing system from 6th May to 31st October 2008 (in Table 1.1), also provide testimony to the market failure in relation to cross-border procurement, particularly in terms of South to North 'traffic'. Specifically, the limited numbers of Ireland-based suppliers registered with the system, follows through to an even poorer representation in terms of tender issue and submissions back to CPD.

[3] €1 = £0.80 (2008 average taken from European Central Bank, accessed August 2009).

[4] Albeit that they are based on different financial years – full information for 2008/ 2009 for Ireland is not available on a centralised basis – the only centralised information that could be sourced related to capital expenditure.

[5] It is also comparable to the 13 per cent figure quoted in this regard in the 'Glover' report for the UK (*Accelerating the SME Economic Engine*). It should be noted, that these figures are high-level estimates, given that there is limited means to access centralised contract award data.

[6] Provided at the CBI Public Procurement Conference, Belfast, 5th March 2009.

Table 1.1 Activity Levels of Suppliers with CPD

Jurisdiction	Northern Ireland	Northern Ireland %	Ireland	Ireland %	Total
Companies Registered	1468	88.7%	187	11.3%	1655
Companies Active	904	89.1%	111	10.9%	1015
Active Companies %	61.6%		59.4%		61.3%
ITT Invites Issued	4164	95.4%	199	4.6%	4363
ITT Responses Received	780	96.8%	26	3.2%	806
Responses Received %	18.7%		13.1%		18.5%

'Over the period 6th May to 31st October 2008, 806 ITT responses were received by CPD from suppliers within the island of Ireland for Northern Ireland-based public procurement opportunities………..97% of these were from Northern-based suppliers and 3% from Southern-based suppliers' - CPD

1.4 Summary of the Main Market Failures (with respect to Cross-Border Procurement)

The factors emerging from the research as contributors to cross-border market failure with respect to public procurement include:

- A lack of visibility of tender opportunities in the opposite jurisdiction (particularly on the part of Ireland suppliers with respect to Northern Ireland tenders and for low-value/ sub threshold opportunities);

- Procurement practices on the island of Ireland could be more 'SME friendly' (e.g. 'unbundling' of contracts, proportionate thresholds, and reduced bureaucracy). This issue applies primarily in a 'single jurisdiction' context, although it was viewed that North/ South debate and policy exchange on the relevant issues between buyers could help to ease SME access, on the island of Ireland as a whole;

- A lack of understanding amongst SMEs of how to pursue tender opportunities in the opposite jurisdiction and sufficient capacity and capability to carry out the research needed to identify and pursue these opportunities;

- Capability in terms of 'intelligent' tender writing particularly for cross-border tenders, where the level of understanding of buyer needs may be more limited. Whereas, in the past, SMEs failed more on compliance issues. In recent years, the levels of compliance were reported to have improved substantially and SMEs are perceived to fail, more on 'a failure to answer the exam question';

- A limited understanding of the concept of Sustainable Development and Sustainable Procurement (by both buyers and SMEs). Given the potential of the same to encourage indigenous supply within the island of Ireland, this awareness is a relevant market failure that needs to be addressed;

- Inconsistency and variable buyer practices within and across the two jurisdictions, which means that SMEs do not have a consistent view of how the market operates. This can increase the lead-in time for them to become more active and successful in winning public procurement contracts;

- A 'mismatch' in the availability of centralised management information[7] between North and South. In practice, this means that it is difficult to establish any baseline at an 'all-island' level about SME penetration within the public procurement market;

[7] This includes information on tenders awarded by value, size of company and jurisdiction. The position is relatively better within Northern Ireland (e.g. the CPD Good and Services arena) than in Ireland, although the creation of the NOU in OPW should bring increased potential for greater levels of centralised management information in due course.

- A need to distinguish between procurement and tendering, where the former also encompasses the identification of the public sector 'need' and associated market sounding/dialogue in advance of the issue of the ITT. This is important given that this pre-commercial stage provides most scope for innovation, 'fit' with buyer needs and potential for 'lead markets' for new technologies. Accordingly, the research strongly highlighted the need for more structured mechanisms (including on a cross-border basis) to facilitate a transparent process of engagement between buyers and SMEs at this pre-tender/pre-commercial stage; and

- Both the research with buyers and SMEs found limited evidence of joint-working between SMEs on a cross-border basis (to access public procurement opportunities) and interventions to facilitate the same (which were solely focused on the public procurement market). Given that, having a partner 'on the ground' in the other jurisdiction (to boost capacity and capability) could be an 'easier' route for market entry. This is a key market failure to highlight.

1.5 Summary of Key Findings & Recommendations

Before progressing to outline a series of recommendations, it is important to highlight that at an overall level the public procurement market presents a significant opportunity for SMEs with scope for new entrants, particularly on a cross-border basis.

The increasing importance of this market to SMEs is reinforced by the challenges of the current economic environment.

Furthermore, the research has confirmed the potential for cross-border co-operation between buyers to enhance the effectiveness of public service delivery and create the potential for associated cost savings.

Outlined in Table 1.2 are a series of cross-border recommendations linked to the market failures set out in Section 1.4. It is important to emphasise that the study has identified recommendations and actions that will be required in a single jurisdiction context to maximise the opportunity for cross-border procurement (and SME access to same). In effect these are critical to creating a positive and reinforcing environment for the implementation of the cross-border recommendations. Furthermore, they could form some of the focus of debate within the all-island practitioner group suggested as one of the recommendations. However given the primary requirement in this study to highlight mutually co-operative actions that will have a cross-border impact, the single jurisdiction recommendations have been separated out and included in Appendix 8[8] for reference.

[8] The appendices are available in a separate document at www.intertradeireland.com/publications.

Table 1.2 Cross-Border Recommendation(s)

1	Consideration should be given to the implementation of a promotional campaign, perhaps through the relevant trade bodies, to encourage registration of Irish SMEs with the CPD eSourcing system.
2	The feasibility of a single 'all-island' system for consolidated access to lower-value public sector contracts should be explored, where the www.laquotes.ie model is viewed as a potential starting point. Clearly this would require engagement and debate with the evolving local government procurement group in Northern Ireland and the host local authority in Ireland (Kerry County Council). To facilitate maximum coverage, this should explore whether it is desirable to link this to eTenders and the CPD website/eSourcing system.
3	There should be encouragement for all Northern Ireland buyers to advertise open tenders on the eTenders system. It is understood that the practice is variable at this point in time. This would improve the visibility of Northern Ireland public procurement opportunities for SMEs in Ireland, given that, the 'traffic' in terms of South to North tendering is very limited.
4	The research has highlighted that there are shortcomings in the availability of centralised management information (e.g. with respect to tenders awarded by value, size of company and jurisdiction), although it is relatively better within Northern Ireland (e.g. the CPD Good and Services arena) than in Ireland. In the longer term, the development of a centralised eSourcing system in Ireland is a potential solution to this, which could arise through the progressive centralisation of activity that will happen through the proposed creation of a NOU in the OPW. In this regard, it was suggested that a medium-term recommendation arising from this study could be the creation of an 'all-island' eSourcing system with common supplier registration database (perhaps based on an extension of the CPD eSourcing system). A compromise position, could be, for the system in Ireland, to have a similar design specification to aid commonality of reporting on a North/South basis. However, in a tighter budgetary environment, there may be merit in considering the economies of scale that could be achieved through an 'all-island' approach. The creation of the NOU provides a 'window of opportunity' to consider the concept in the short-term. Any legislative obstacles to this should be explored based on the fact that aspects of the European Union (EU) procurement directives are transposed differently in Northern Ireland relative to Ireland.
5	As SMEs have cited the lack of resource (i.e. person power) as a barrier, it is recommended that InterTradeIreland could consider the provision of an experienced resource to assist inexperienced SMEs in submitting cross-border tenders. Such an approach could include dedicated time (3-5 days) of an external resource with the experience to assist the company rather than actually complete the tender. Practically, this could involve a call-off mentoring framework of suitable mentors, which would require flexible delivery at short notice. Such an intervention would be weighted towards developing expertise in the company, given that the onus should be on developing SMEs that are 'bid-ready'. This recommendation could be incorporated within the concept of the First Stop Shop being developed by InterTradeIreland.
6	In the short term, efforts should be made by InterTradeIreland to weight participation in Go-2-Tender from Ireland relative to Northern Ireland. This could help to increase 'traffic' in the public procurement market from South to North.
7	InterTradeIreland could consider building on the Go-2-Tender programme with more intensive/advanced follow up support intervention – particularly in terms of support for 'intelligent tender writing' and research/capability support to assist SMEs to develop a strategic approach to targeting their products/services to buyers in the other jurisdiction.
8	Some of the local authorities interviewed in Ireland for the study suggested hosting regional 'roadshows' for SMEs involving groups of local authorities, with the view that they would go through a mock case study of a tender process complete with sample winning tender submission. Given the potential that the local authority market offers SMEs, this could be worth pursuing. The local authority programmes that are offered tend to be specific to each Council, and a more collaborative approach could facilitate SMEs who are successful with their local Council to replicate the approach elsewhere, including on a cross-border basis. There could be a role for InterTradeIreland to facilitate a version of Go-2-Tender that was local authority specific, involving participation from local authority representatives on an all-island basis as speakers. The programme should target those who are already successful in tendering to local councils in their own jurisdiction.
9	Sustainable Development is an evaluation criterion that is going to become more common through public procurement. A structured approach is required to increase SMEs knowledge of how they can use this criterion to compete - as well as increasing economic, social and environmental innovation within the public procurement process. This could take the form of follow-up/supplementary training to the Go-2-Tender programme and would enable SMEs to enter new cross-border markets on a key competitive offering (e.g. particularly in the construction sector). More broadly, better understanding of the concept (amongst buyers and SMEs) could encourage more indigenous supply on the island of Ireland.
10	Establishment of an all-island senior practitioner network to pool knowledge and best practice in public procurement. This could draw on membership from the Public Procurement Practitioners Group (PPPG) in Northern Ireland and similar bodies in Ireland (e.g. the Government Construction Contracts Committee (GCCC)) pertaining to capital projects only, and should potentially have a local authority dimension. The suggestion was that it should meet quarterly.
11	The Procurement Exchange Programme, developed as a concept in Northern Ireland to facilitate secondments, mentoring, work-shadowing between CoPEs, could be piloted on a cross-border basis to act as a mechanism to expedite the development of more consistent procurement practice amongst buyers on an 'all-island' basis.
12	Consideration could be given to piloting a procurement process of staged tendering – allowing for an innovation phase in which SMEs on an 'all-island' basis can participate. This would be suitable for application within the science, technology and R&D fields and could be similar in nature to the good practice example cited within the Netherlands in Section 7, which is currently being considered for application in Northern Ireland (by DETI).
13	Consolidate and develop the current approach to events in which the buyer meets the suppliers (e.g. particularly Network and Getwork). This would involve an increase in buyer/supplier participation as well as ensuring concerns of both parties with regards to such events (outlined in the report and supporting appendices) are addressed. It is recommended that buyers could demonstrate their commitment to cross-border procurement by travelling to the opposite jurisdiction for events (e.g. sectoral Network and Getwork events) rather than reliance on a large group of SMEs travelling to the opposite jurisdiction. This would potentially result in a higher level of exposure of SMEs to buyers on a cross-border basis. It is understood that this is being actively considered by InterTradeIreland and various Chambers of Commerce at this point in time. Consideration could also be given to broadening the scope of cross-border events, to include a format (as per the French model 'Met' set out in Section 7) which enables a group of SMEs to present their innovative products or solutions to contracting authorities in a given technological field. This could involve approaching SMEs participating in programmes such as Innova, Seedcorn, Enterprise Innovation Networks (delivered by Enterprise Ireland) or Innovation Vouchers to attend such events.

14 The eTenders system currently records details of all parties who register an interest in a particular tender. The research detected interest on behalf of SMEs for the names of such parties to be disclosed (where they are willing) so that they could be contacted with a view to preparing joint bids and/or subcontracting arrangements. One possible solution to this might be to have a tick box whereby suppliers registering interest in a particular tender on eTenders could indicate whether they agree to have their details released to other parties for the purpose of preparing joint bids. This would be cross-border in nature given the high level of engagement of Northern Ireland suppliers with eTenders.

15 The research into the competitiveness of SMEs in accessing public sector contracts has clearly indicated that lack of critical mass / size is one of the significant barriers to SMEs consistently and successfully securing public sector contracts. This has already been recognised, specifically in the construction sector. The Supplier Model is a ‘supply chain’ model that provides capability support to SMEs in the construction sector – to potentially gain access to work packages as part of larger construction projects – it’s success is based on the specific ‘sequential’ nature of the construction tendering process, where lead contractors are appointed initially, and then components of the overall contract are tendered to sub-contractors, and in turn sub-contractors may further sub-contract smaller work packages to other companies. However, at this point in time it is not available on a cross-border basis and there could be scope to consider re-introducing it as a cross-border programme - offering support to SMEs either side of the border to potentially access work within large construction projects on the island of Ireland.

16 It is suggested that in sectors other than construction, a different approach to facilitate joint working may be required. The rationale for this is set out in more detail in Appendix 7. Accordingly, consideration could be given to providing SMEs on the island of Ireland with support in relation to the formation of joint ventures / consortia for public sector tendering. It is recommended that this support could consist of a combination of:

- Workshops – designed to change the mindsets of many Irish companies in relation to the formation of joint ventures / consortia; and
- Mentoring – to provide companies with the practical assistance required to take SMEs through the steps involved in researching, identifying and establishing joint venture partnerships.

17 The support (workshops and mentoring) to be provided needs to address the following issues:

- The cultural and commercial challenges (and advantages) of establishing joint ventures/consortia;
- Establishing clear criteria for the screening and selection of joint venture/consortia partners;
- Understanding how to go about researching and identifying potential joint venture partners;
- Understanding the different forms of joint venture partnership – the pros, cons, and practical steps involved in establishing and operating them;
- Legal advice/input on the various forms of joint venture partnerships;
- Good practice in relation to joint venture/consortia agreements; and
- Best practice in relation to sustaining joint ventures – and making them work for the participant businesses.

SMEs could effectively use any consortia developed to tender for specific public sector opportunities (that they would not otherwise be able to secure), to develop new skills and capabilities, to enter new market sectors, and to grow their businesses. In time, this approach could enable SMEs to develop the critical mass to target larger public sector opportunities on their own, or indeed to develop further larger joint venture partnerships / consortia. This approach could be piloted on a cross-border basis.

A programme based on the above could be piloted by InterTradeIreland centred on one or two public procurement areas which could lend themselves to joint working/networking (e.g. facilities management and ICT contracts).

2 Introduction

2.1 Overview

InterTradeIreland has commissioned KPMG and Envision Management Consultants (hereafter referred to as Envision) to research and complete a policy paper that will make recommendations for mutually beneficial cooperative initiatives to enhance the competitiveness of SMEs to access public procurement opportunities on the island of Ireland.

This introductory section of the report considers the objectives of the study, the methodology deployed and the overall structure of this document.

2.2 Terms of Reference

InterTradeIreland was established under the auspices of the Belfast or Good Friday Agreement of 1998. Established as the Trade and Business Development Body, the creation of InterTradeIreland marked a long-term concern that North/South trade on the island of Ireland was below the level which would otherwise be expected between two neighbouring European regions. Indeed, research by InterTradeIreland, as outlined in its Corporate Plan (2008-2010), highlighted that the major blockage to cross-border trade and business development was a lack of knowledge or awareness of the business environment in the other jurisdiction on this island.

InterTradeIreland’s Corporate Plan (2008-2010) outlines some of the wider competitiveness benefits of North/South economic co-operation, which are increasingly being recognised and realised. It is acknowledged that this will offer new opportunities for InterTradeIreland to play a role as an institutional connector[9], facilitating and supporting engagement between economic actors across the border. This study, and the mutually cooperative actions arising from it, sits within this context. The study has been practical and action orientated from the outset through the involvement of an all-island Steering Group comprising senior public procurement professionals from key organisations in both jurisdictions.

The high-level objectives of this study are:

- To provide InterTradeIreland with a more comprehensive understanding of the dynamics of the public procurement market on the island of Ireland; and
- To make recommendations for mutually beneficial cooperative actions in the following areas:
  - The provision of supports (by InterTradeIreland and other organisations, North and South) to build company capacity and capability;
  - The identification and removal of barriers preventing the operation of an open all-island public procurement market;
  - The use of public procurement to drive innovation; and
  - The identification of ways to enhance local sustainable development.

The detailed Terms of Reference are outlined in Table 2.1 and mapped against the relevant sections in this document.

[9] The term ‘institutional connector’ was used in an InterTradeIreland Performance Review conducted in 2005 to describe InterTradeIreland’s success in bringing together business and policy organisations within North/South co-operative initiatives.

Table 2.1: Terms of Reference	Relevant Section(s)
A review of the value, dynamics and characteristics of the all-island public procurement market.	Section 4
Answers to specific questions about the market including: • What does best practice in collaborative ventures between SMEs look like? How can these be encouraged? • How do SMEs perceive 'framework arrangements' for the procurement market on the island, do such arrangements work and can they be more competitive? • How has the competitive dialogue procedure between buyers and suppliers affected change in the public procurement market? • What are the current levels of bid costs for different types of projects e.g. highly complicated or those with low, medium and high values and how best might these be reduced?	Section 4, 5, and case studies (for collaborative ventures)
Primary research into the public procurement policy environment, North and South including emerging trends (such as using procurement to drive sustainable development and innovation).	Section 4
An assessment of the capacity and capability needed by SMEs to participate in public procurement markets, on and off the island. Questions to be addressed in the policy paper will include: • What kinds of contracts are currently being won by indigenous SMEs? • What kinds of contracts are currently being lost by indigenous SMEs? • Why do SMEs perceive they have been successful/unsuccessful in tendering in the other jurisdiction? • How do SMEs operate within public procurement supply chains (particularly on larger projects) and are there barriers to their participation? • How has eProcurement acted as a help/hindrance to SMEs?	Section 4 and 5 (and case studies)
A description of the procurement programmes which are currently in operation on the island of Ireland and where the gaps in provision might exist.	Section 6 and Appendix 7[10]
An exploration of external best practice.	Section 7

[10] All appendices to this report can be found at www.intertradeireland.com/publications.

2.3 Methodology

From the outset the study team sought to understand the context within which the study resides. A full review of operational and policy documentation of relevance to the study, in both jurisdictions, was undertaken. The economic backdrop (recent and projected) for public procurement activity on the island of Ireland was also reviewed, given that this will have an immediate bearing on the characteristics and dynamics of the market.

A high-level review of the trends and characteristics of the website 'traffic' of the main public procurement websites was undertaken by the project team, in co-operation with relevant website host organisations. This exercise was intended to provide insights into the recent dynamics of the public procurement environment on the island of Ireland. In addition, a sample review of debriefing material (provided to SMEs bidding for public procurement tenders) was undertaken. However, this activity was more limited than was envisaged at the outset of the study because of the difficulty of accessing such information on a centralised and/or anonymous basis. Accordingly, this was supplemented through a series of questions with buyers to ascertain some of the perceived reasons why SMEs can fail to win public procurement tenders.

The primary research undertaken as part of this assignment consisted of:

- Detailed semi-structured interviews with the majority of the key buyers in Northern Ireland and Ireland, spanning capital/works and goods and services procurement. These were all conducted on a face-to-face basis, rather than through use of a survey, to facilitate in-depth discussion on the key topics that are outlined in the buyer discussion guide (Appendix 1); and
- 200 semi-structured interviews with suppliers/SMEs both North and South and spanning suppliers/SMEs in capital/works and goods/services arenas. This research aimed to capture both suppliers/SMEs that were experienced and not experienced in the public procurement market. The research design and findings are summarised in Section 5 of this report drawing from the detailed research findings reports at Appendix 3 and 4.

Appendix 2 sets out details of all the buyers that were interviewed on a face-to-face basis in both jurisdictions as part of this study.

The study team conducted interviews with a number of key organisations throughout the island of Ireland who are active in developing SME competitiveness to various degrees for the public procurement market. These included the various economic development agencies, councils and trade/representative bodies. Details of all the organisations interviewed are also set out in Appendix 2.

The purpose of these discussions was:

- To inform a mapping exercise of the key programmes and interventions available to help SMEs access the public procurement market (in their own jurisdiction or on a cross-border basis) with a view to identify potential gaps, issues or areas where interventions could be augmented and/or enhanced; and
- To inform preliminary 'horizon scanning' of best practice and benchmarking, both internal and external, to the island of Ireland.

During the research, the study team was guided by a Project Steering Group which convened and advised at key stages during the research period and was supported by an Advisory Panel. On completion of the primary research period, the study team, Advisory Panel and the Project Steering Group met as a group for a preliminary action planning session to debate and prioritise emerging actions and to challenge some of the emerging research findings.

3 Context of Public Procurement on the Island of Ireland

3.1 Overview

This section of the report details the context within which this study resides – beginning with the European Union (EU) context, which forms the legislative basis for public procurement on the island of Ireland. The section then progresses to summarise the structural context of public procurement in Northern Ireland and Ireland, and highlights the synergies between this study and other related studies and activity (in Britain and Northern Ireland). Finally, it concludes on the potential implications of the current economic downturn on the public procurement market on the island of Ireland.

3.2 EU Dimension (and Code of Practice for SME Access)

Procurement bodies in Northern Ireland and Ireland are subject to the procurement controls of the EU, centred mainly on the Treaty of Rome and subsequently EU directives, which are designed to ensure that there is no discrimination against other member states.

It is clear, from political statements in Europe, that the promotion of SMEs is a central issue for the European Community. The purpose of European Commission (EC) Public Procurement Directives[11] is to open up the public procurement market for all economic operators, irrespective of their size. However, it is noted that special attention needs to be paid to the issue of access by SMEs to those markets, as SMEs are generally considered to be the 'backbone' of the EU economy. Clearly, the facilitation of access by SMEs to public procurement markets has an important role to play in maximising their potential for job creation, growth and innovation.
While EC 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 which are particularly important for SMEs. These provide solutions for problems faced by SMEs (or mainly by SMEs). In addition, certain rules and practices in Member States provide additional or more specific solutions in this field.

The recently published 'European Code of Best Practices Facilitating Access by SMEs to Public Procurement Contracts (Code of Best Practices)[12]' aims to provide contracting authorities in Member States' with general guidance on how they may apply the EU legal framework in a way which enables SMEs to participate in contract award procedures and highlights a number of national rules and practices that facilitate access to public contracts by SMEs.

The 'Code of Best Practices' deals with possible solutions to the main difficulties encountered by SMEs, under the following headings/themes:

- Overcoming difficulties relating to size of contracts;
- Ensuring access to relevant information;
- Improving the quality and understanding of the information provided;
- Setting proportionate qualification levels and financial requirements;
- Alleviating the administrative burden;
- Placing emphasis on value for money rather than on price;
- Giving sufficient time to draw up tenders; and
- Ensuring that payments are made on time.

These have informed the processes to develop recommendations[13] within this study, drawing on external best practice as appropriate.

[11] Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal service sectors (30.04.2004) and Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts (30.04.2004).

[12] Commission Staff Working Document – Brussels 25.06.2008 SEC (2008) 2193.

[13] But are of most relevance to the single jurisdiction recommendations set out in Appendix 8.

3.3 Structural Context

Public procurement is defined as the acquisition, whether under formal contract or otherwise, of works, supplies and services by public bodies. It ranges from the purchase of routine supplies or services to formal tendering and placing contracts for large infrastructural projects by a wide and diverse range of contracting authorities.

The structural landscape of public procurement on the island of Ireland in significantly different in Northern Ireland compared to Ireland as set out below.

3.3.1 Northern Ireland

Since the *Review of Public Procurement* in 2001, Northern Ireland has had a high degree of centralisation in terms of public procurement, which is shaped around the CPD. The CPD has a unique role to play in the public sector procurement marketplace within Northern Ireland. Whilst it leads on public sector procurement policy and best practice, it is also jointly responsible for central purchasing on behalf of Central Government Departments. In addition, there are a number of Centres of Procurement Expertise (CoPEs)[14] , which retain a focus on their sectoral areas, in light of the fact that they have a specialist focus and strong links with their customer base.

In addition to the CPD and the CoPEs, a high-level Procurement Board was established. This Board, which is representative of all eleven NI Departments is chaired by the Department of Finance and Personnel (DFP) Minister, and is responsible directly to the Executive and accountable to the Northern Ireland Assembly. The Procurement Board has implemented a number of Strategic Plans, which outline the key strategic priorities and objectives of the Board in terms of public procurement.

To date, the Procurement Board's Strategic Plans have encompassed three phases of reform:

- *Phase 1 (2002 – 2005)* – setting up new structures and implementing the recommendations of the Review of Public Procurement.

- *Phase 2 (2005 – 2008)* – the focus of this phase was to identify and record the benefits of professional procurement. To date, it is reported that there has been £254m (€317m) of Value for Money improvements on the procurement of goods, services and works across the Public Sector[15].

- *Phase 3 (2008 – 2011)* – the focus of this phase is towards achieving efficiency savings based on best value for money (i.e. taking quality and policy outcomes into account alongside cost). A key principle in this phase is to embed equality of opportunity and sustainable development throughout public sector procurement.

In terms of the wider public sector procurement market in Northern Ireland, there is still ongoing development to ensure constant alignment with the Programme for Government (PfG) (2008-2011) and focus on delivering best value for money. This is evident in the recent launch by the CPD of an updated supplier registration system – the eSourcing NI/Bravo Solution system. The system has been up and running since May 2008 and is progressively becoming the main eSourcing tool for suppliers to central government, with a roll-out programme for the other CoPEs, which commenced in March 2009.

From the perspective of the local government sector in Northern Ireland, there is an embryonic public procurement group[16] evolving, under the auspices of the Review of Public Administration (RPA), and co-ordinated through the Department of the Environment (DOE) Local Government Branch. From the perspective of this study, this

[14] The CoPEs include: CPD, CSA/RSS, HEA, NI Water, Roads Service, Translink, NIHE and the ELBs (whose procurement spend will be incorporated within the new Education and Skills Authority ESA in due course).

[15] CBI Public Procurement Conference, Belfast, 5th March 2009.

[16] The Purchasing Officers Group, under the auspices of Department of the Environment (DOE) Local Government Branch.

is a welcome development, which should bring greater levels of consistency within the local government sector and ease SME access to public procurement opportunities.

Specifically, SMEs would have an 'increasingly common view' of how to find, access, and gear up to win local government contracts, if the variability in public procurement practice between councils was to reduce.

The Chartered Institute of Purchasing and Supply (CIPS) is the main professional framework that applies to public procurement in Northern Ireland, and exists to promote and develop high standards of professional skill, ability and integrity among all those engaged in purchasing and supply chain management. This is achieved through a professional qualifications programme and associated membership standard, and through the provision of public access to training programmes and a comprehensive range of learning resources. Programmes and resources are available through Further Education Colleges and relevant degree and post-graduate courses are provided by the University of Ulster. Members of CIPS are bound by a code of conduct and are encouraged to make a lifelong commitment to their own professional development. CIPS assists individuals, organisations and the profession as a whole. Specifically it supports organisations in a number of ways, from educating and training their staff, to improving their performance through assessment and accreditation of their purchasing and supply methods, and sharing of best practice between peer groups.

3.3.2 Ireland

The National Public Procurement Policy Unit (NPPPU) was established in the Department of Finance (DoF) in 2002. Its role is to develop public sector procurement, policy and practice through a process of procurement management reform.

The National Public Procurement Policy Framework, drawn up by the NPPPU, is part of ongoing work to implement this programme of procurement management reform in the public sector. It sets out the broad practices and principles that should underpin reform. The reform process involves capacity building, training and education measures and procurement aggregation. These reform pillars are being developed and rolled out in tandem with incremental and suitable eProcurement measures.

Some of the early recommendations and positive elements of the National Public Procurement Policy Framework are now in place. For instance, there is wider advertising of public procurement opportunities via the national public procurement website - eTenders, which is designed to be a central facility for all public sector contracting authorities to advertise procurement opportunities and award notices. The site is managed by the NPPPU within the DoF.

Furthermore in terms of capacity building the NPPPU has endorsed the Dublin City University (DCU) Business School Graduate Diploma/ Masters Programme in Strategic Procurement. This qualification is the first of its kind in Ireland and aims to build the strategic capacity[17] in procurement and meet the changing skills requirements for professionals either engaged in or working closely with the procurement function. Other provision includes the Certificate in Public Procurement provided by Achilles Procurement Services (which is part of the EU wide Achilles Network[18]), which provides training on an open course and in-house basis to the public sector and utilities in Ireland. The training is focused on the needs of the procurement professional and ensures candidates are equipped with the skills and tools to award contracts in a compliant manner with particular emphasis on best practice and value for money.

[17] The specific objectives of the programme are to introduce the student to leading-edge thinking in the area of procurement with a view to adapting it to make it appropriate to the business and organizational contexts in which they operate and to develop students that are more strategy oriented and less operationally oriented.

[18] Achilles works to identify, qualify, evaluate and monitor suppliers on behalf of major organisations worldwide. Achilles builds and support buyer-supplier communities in many industry sectors, creating unique and powerful global networks. Achilles services for sustainable procurement help create opportunities for business and reduce risk in the supply chain.

The public sector procurement market in Ireland has always been more fragmented and decentralised than has been the case in Northern Ireland, with each public body performing procurement functions independently within the framework of EU/ national laws and national guidelines. However, the increasing complexity and importance of purchasing decisions by public bodies is leading to a more strategic focus and improved management of the public sector procurement process. Accordingly, the centralisation of public procurement in Ireland has gathered momentum in recent months.

A key aspect of this is the proposal to create a National Operations Unit (NOU), in the Office of Public Works (OPW), which will have operational responsibility for the implementation of much of the procurement activity[19], monitored and guided at a policy level by the DoF/NPPPU. The drivers behind the creation of this proposed unit include the drive for efficiency savings, the need for improved transparency and the requirement for a more coordinated strategic approach to public procurement. It is anticipated that the creation of this Unit will play a key role in the ongoing capability development of public procurement in Ireland, similar to the role that the CPD has had since 2001 in driving a process of reform in Northern Ireland.

> *In my view public procurement practice in Ireland is relatively less advanced than is the case in NI and Scotland. It is critical that the Government assess the practices applied by the procurement bodies in these countries in order to inform the establishment of the Central Procurement Unit in OPW."* **Buyer (Ireland)**
>
> *A framework is being developed for a new centralised procurement unit in 2009, which should provide a centralised procurement service for all Government Departments and other public sector bodies in respect of a wide range of goods and services."* **Buyer (Ireland)**

> *Lessons could be learnt from NI and a forum between procuring authorities, both NI and Ireland could be beneficial."* **Buyer (Ireland)**

In view of the ongoing developments with respect to centralisation in each jurisdiction, the process of North/South dialogue and information exchange on public procurement issues should become more straightforward because of the reduced fragmentation of activity. Finally, it is relevant to note that with the advent of the economic downturn and associated budgetary pressures, it was evident through the research, that there was an increased focus and interest in learning from practice 'in the other jurisdiction' to expedite actions to enhance public procurement practice and avoid 're-inventing the wheel'. As such, actions to improve North/South collaboration between buyers were viewed to be critical in the efficient and effective delivery of public services on an all-island basis, with associated scope for cost savings. In this regard, there has already been a productive process of senior policy exchange between North and South in relation to the creation of the NOU and associated reform (learning from the experiences of Northern Ireland in recent years). This activity represents a positive 'backdrop' for any proposed mutually co-operative recommendations emerging from this study.

The case study sets out a positive example of North/South buyer cooperation in action, and associated effectiveness in service delivery on a cross-border basis.

[19] For example, this does not include public procurement activity within HSE.

Case Study Number One

Project Description: The Redevelopment of the A1/N1 Cross-Border Road
Buyer: Roads Service (NI)/National Roads Authority (Ireland)/Louth County Council
Supplier: North Route Joint Venture
Nature of Contract Awarded: A major capital works scheme
Contract Value: £80 million

This case study focuses on the procurement of a major capital works scheme for the redevelopment of the A1/N1 Cross-Border Road from Newry (NI) to Dundalk (Ireland). The Newry to Dundalk Link road scheme was undertaken as a single contract between the Roads Service in NI and the National Roads Authorities in Ireland.

The scheme involves the extension from Ballymascanlon roundabout (north of Dundalk) to Cloghogue roundabout (south of Newry) and comprises 14km of high standard dual carriageway (4.6km in NI), 5.7km of associated connecting roads and 11 bridges and other structures. The total cost of the scheme was approximately £80m, which included circa £33m from the NI Government and includes part funding from the EU under Trans European Network support.

From a buyer perspective, the success of the project was the result of close practical co operation between the Roads Service (NI), the National Roads Authority (Ireland) and Louth County Council. In the early stages of this development, excellent working relationships were established between the respective authorities in both jurisdictions, ensuring that the scheme developed through the necessary statutory processes (in each jurisdiction).

This capital contract was awarded to North Route Joint Venture, a consortium of the Irish firm SIAC Construction and the large Spanish contractor Ferrovial Agroman, through the use of a Design, Build, Finance and Operate (DBFO) contract. The DBFO approach is a form of Public Private Partnership (PPP), where road improvements are designed, constructed and financed by a private sector consortium which then operates and maintains the road for up to 30 years for an agreed series of payment from the government. Specifically, a single contract, based on the Engineering and Construction Contract (ECC) with main option C (target contract with activity schedule) was prepared and awarded in early 2005. It was envisaged that the nature of this contract would encourage competitive pricing from contractors as they could allow for the significant risks involved.

In order to meet the requirements of the parties involved (both North and South) a number of conditions were agreed e.g. the contract was based on NI law, the currency of the contract was in Euros and the works information takes account of differences in specification in the two jurisdictions. Due to different VAT rates and audit requirements tenderers were required to furnish invoices based on actual work done in each jurisdiction. From a buyers perspective, it was suggested that the DBFO contract type encourages the transfer of design risk, clarity of cost at an early stage, increased innovative practices (from tenderers) and time and cost savings, through the integration and overlap of design and construction. In addition, a key feature of the DBFO contract type is the use of NEC2 ECC, which is an industry 'standard' in the construction sector.

Key Learning Points
Close co-operation between the respective buyers on a North/South basis enabled the procurement process to facilitate and work around any barriers associated with the different procurement regimes in each jurisdiction.

3.4 Related Studies and Activity

It is important to acknowledge that there has been recent work, in the area of SME access to public procurement contracts – notably the 'Glover[20]' report in the United Kingdom (UK), co-ordinated through the Office of Government Commerce (OGC), and published in November 2008. It sets out a number of recommendations to improve SMEs participation in public procurement markets (through actions to improve the transparency, simplicity and strategic management of procurement).

Furthermore, in 2008 in Northern Ireland under the auspices of the Procurement Board, CPD and the Equality Commission in Northern Ireland, published guidance aimed at policy makers and procurement professionals on how to integrate equality and sustainable development considerations into the public procurement process[21].

Finally, the Northern Ireland Assembly Committee for Finance and Personnel is currently in the process of implementing an inquiry into the same, which is focusing on the end-user experience of SMEs and Social Economy Enterprises (SEEs) in tendering for and delivering public contracts in Northern Ireland. The inquiry, which is currently ongoing, is also examining the use of social clauses within public sector contracts. Information provided by CPD to the inquiry highlights[22] that in the period 2007/2008-2008/2009, 70 per cent of construction contracts (works and services) and 62 per cent of Goods and Services contracts were awarded to SMEs[23] based on a sample of contracts co-ordinated by the CPD over the same period. These figures are based on the tendering organisations categorising themselves as SMEs on mediums such as eSourcing NI/Bravo Solutions and Constructionline, which itself may be subjective. Therefore these figures should be viewed as indicative only.

This study complements some of the above activity. Furthermore, the key differentiating factor in this study is the focus on implementation of an 'all-island' research programme with suppliers and buyers, and the associated output of mutually co-operative actions to improve access for SMEs to public procurement opportunities, on a cross-border basis in particular. This focus is further reinforced by the fact that the study is being guided by an 'all-island' Steering Group - comprising senior public procurement professionals from key organisations in both jurisdictions (as set out in Section 2).

3.5 Implications of the Economic Context for Public Procurement

This section of the study sets out a brief review of the implications of the current economic downturn, for public procurement on the island of Ireland. A full economic review of both jurisdictions is provided in Appendix 5.

Ireland
The seriousness of the current economic situation, particularly in Ireland, should not be understated and it is extremely unlikely that public procurement expenditure, both North and South, will not be impacted to some extent as a result of the budgetary difficulties. To provide a sense of the scale of the situation, the requirement for the Irish government to borrow €18bn (£14.4bn) in 2009 equates to borrowing €4,500 (£3,600) for every man, woman and child in the country.

When presenting the Financial Emergency Measures in the Public Interest Bill 2009 to the Dáil Éireann in February 2009, the Minister for Finance, Brian Lenihan, was very clear that the Irish Government is determined to stabilise the public finances in order that Ireland is in a position to take advantage of any future recovery in the global economy.

[20] *Accelerating the SME Economic Engine: throughout transparent, simple and strategic procurement* (November 2008).
[21] Equality Commission for Northern Ireland / Central Procurement Directorate (NI), *Equality of Opportunity and Sustainable Development in Public Procurement* (May 2008).
[22] As provided by the CPD (May 2009).
[23] This is based on contracts administered by the CPD though various Government Departments excluding the CoPEs.

The Bill (in sections 9-11) allowed for an eight per cent reduction in fees in all contracts for professional services from 1st March 2009. It is worth noting that a similar reduction across all aspects of the estimated €16bn (£12.8bn) public procurement spend would equate to a reduction of circa €1.3bn (£1.04bn).

In early March 2009, the situation had deteriorated further, necessitating April's emergency budget. As a response to the pressures on health budgets recommendations were made to make savings in that sector through changes to procurement practices, including the establishment of a State pharmaceutical procurement and distribution company – reflecting similar reforms of procurement management through the NPPPU in the OPW.

Northern Ireland

The immediate position in Northern Ireland is less clear, though the Executive also faces budgetary pressures. At the Confederation of British Industry (NI) Public Procurement conference on 5 March 2009, it was highlighted that a consequence of the challenging economic climate was the need to maximise outcomes and value-for-money from public expenditure – and that the £2.2bn (€2.7bn) public procurement budget (linked to the CoPEs) was likely to be a key target. Further pressure on the procurement budget may be experienced as a result of Downing Street's expectation that savings can be made as a result of falling inflation and costs and the Executive is concerned that the next public spending review could see some £130m (€162m) cut from the Northern Ireland budget.

Recent findings from the InterTradeIreland Quarterly Business Monitor (April-June 2009) revealed that 69 per cent of companies believe the economic downturn has had an adverse impact on their business, which has been evidenced to a greater degree by SMEs. The Business Monitor highlighted that 14 per cent (140) of businesses required more assistance in relation to gaining information about public sector procurement markets. This highlights a healthy interest in the public procurement market amongst the SMEs interviewed for the Business Monitor - which is reflected throughout the research for this study, where there was frequent reference to an 'increasingly hungry and competitive market'.

From the perspective of buyers the impacts of the economic downturn and associated budgetary pressures are producing an increased focus and interest in learning from practice 'in the other jurisdiction' to expedite actions to enhance public procurement practice and avoid 're-inventing the wheel'. Allied to this, actions to improve North/South collaboration between buyers were viewed to be critical in the efficient and effective delivery of public services, with associated scope for cost savings, on an all-island basis.

In summary, the main implications of the current economic situation for public procurement in both Northern Ireland and Ireland, include the following:

- Reduction in overall procurement expenditure;
- Increased focus on value-for-money; and
- Timescales for capital projects in particular to be extended beyond initial intentions.

4 Scale, Dynamics and Characteristics of Public Procurement on the Island of Ireland

4.1 Overview

The research with buyers suggests that the Public Procurement market on the island of Ireland is worth circa €19.8/£15.2bn[24].This figure comprises an indicative annual spend of €2.8bn (£2.6 bn) in Northern Ireland (based on 2008/09 data) and in the region of €16/£12.6bn in Ireland (based on 2007/08 data). These figures, if combined[25],would represent a sizable proportion of the economic activity on the island of Ireland, equating to circa 10.3% of the current Gross Domestic Product (GDP) (circa 184bn Euros in 2008/09) of the island of Ireland. It is also comparable to the 13% figure quoted in this regard in the 'Glover[26]' report for the UK.

It should be noted, that these figures are high-level estimates, given that there is limited means to access centralised contract award data. Furthermore, it is important to emphasise that whilst the study team sought to achieve representative coverage, the principle of 'commensurate effort' did apply, particularly in relation to Ireland where the public procurement landscape is currently much more fragmented than is the case in Northern Ireland. In effect, it was acknowledged that the aim of the research with buyers was not to determine an absolute value for public procurement expenditure on the island of Ireland but rather to draw conclusions on the scale, dynamics and characteristics of the all-island public procurement market and the potential for co-operative action.

4.2 Scale

4.2.1 Breakdown of Public Procurement Spend in Northern Ireland

As set out previously, there is a much stronger element of centralised purchasing in Northern Ireland relative to Ireland through the CPD, who purchase on behalf of other organisations. Nevertheless, a degree of independent buying is also evident through the other CoPEs, which have control over purchases within their unique portfolios and come together with the CPD for common purchases.

The following table provides a breakdown of the estimated procurement spend in Northern Ireland for the year 2008-2009 based on the individual spend figures provided by each of the key buyers interviewed by the study team. It is important to note that the figures capture the majority of the procurement spend in the North but do not include the two main universities and the specific details on the spend of the local government sector, which is based on an estimate by DOE – Local Government Branch.

The CPD has a unique role to play in the public sector procurement marketplace within Northern Ireland. Whilst it leads on public sector procurement policy and best practice, it is also jointly responsible for central purchasing on behalf of central Government Departments. The goods and services procurement spend, as illustrated in the following table, captures the estimated contracts awarded by the CPD. The CPD also

[24] €1 = £0.80 (2008 average taken from European Central Bank – accessed August 2009).
[25] Albeit that they are based on different financial years – full information for 2008-09 for Ireland is not available on a centralised basis – the only centralised information that could be sourced is related to capital expenditure.
[26] Accelerating the SME Economic Engine: throughout transparent, simple and strategic procurement (November 2008).

has an influencing role in relation to capital procurement. However, the associated capital budgets are coordinated through the relevant government departments and this expenditure is not monitored centrally through the CPD. The largest components of this capital expenditure are education (Department of Education (DE) and the social housing programme (Department for Social Development (DSD)) expenditure, estimated to be in the region of £400m. In this context, it should be noted that the education element of this expenditure will transfer to Education and Skills Authority (ESA), who were interviewed for this study as they are in the process of developing their procurement functions.

In addition to the information in Table 4.1, which was gained through the primary research programme with individual CoPEs, an overall figure was sourced for the total estimated capital expenditure by the Northern Ireland Executive in 2008-09. This figure, which was provided by SIB, is £1.5bn and remains a current best estimate, subject to final figures being confirmed. This figure would encompass all of the individual capital estimates provided by the individual CoPEs as above. In broad terms, this suggests that slightly over half of all public procurement expenditure in 2008-09 was capital in nature.

4.2.2 Breakdown of Public Procurement Spend in Ireland

Currently, the public procurement regime in Ireland is much more fragmented and decentralised than is the case in Northern Ireland. That said, the study team was still able to meet on a face-to-face basis with a representative sample of the key buyers, across the key sectors, representing the vast majority of the estimated expenditure in Ireland. The information presented in this section draws on this primary research, supplemented as appropriate by centralised data, provided by members of the Steering Group and NPPPU in particular. It should be noted that some of the centralised information refers to the year 2007-08 whilst the primary research with buyers on the island of Ireland, largely sourced 2008-09 estimates.

Table 4.1 NI Buyers (2008/09)	Capital (£m)	Goods & Services (£m)	Total (£m)
Local Government Sector [27]	Breakdown not provided		£400m[28]
Regional Supply Service (RSS)	£0m	£325m	£325m
CPD	As noted above	£300m	£300m
NI Water	£80m	£220m	£300m
Health Estate Agency	£264m	£0m	£264m
Roads Service	£233m	£0m	£233m
Northern Ireland Housing Executive (NIHE)	£200m	£20m	£220m
Education and Library Boards	£0m	£110m	£110m
Translink	Breakdown not provided		£38m
Source: KPMG Primary Research with Northern Ireland CoPEs			

Note (re SIB): Procurement spend details are not included in this table for the Strategic Investment Board (SIB) because the role of SIB is to advise other government departments/agencies in the implementation of their capital projects and programmes and to oversee the delivery of the Investment Strategy for Northern Ireland (ISNI).

[27] This represents a total for the 26 Local Councils in NI as estimated by DOE – Local Government Branch.
[28] This total includes: Belfast City Council (£60.4/€75.5m) and Derry City Council (£31/€38.7m).

In overall terms the value of the public sector procurement market in Ireland for the year 2007-08 was estimated to be €16/£12.8bn, with just less than half attributed to works expenditure [29].

Table 4.2 Overall Market (2007-08)	Works (€bn)	Goods & Services (€bn)	Total
Public Sector Procurement Market	€7bn	€9bn	€16bn

Source: NPPPU

Table 4.3 provides an overview of the public sector procurement market broken down according by the Official Journal of the European Union (OJEU) thresholds. In the context of SME access to public procurements, it is encouraging that over three-quarters of the expenditure on goods and services procurement is sub-threshold.

Table 4.3 Overall Market (2007-08)	Works (€bn)	Goods & Services (€bn)	Total
Above Threshold	€3.2bn	€2bn	€5.2bn
Below Threshold	€3.8bn	€7bn	€10.8bn
Total	€7bn	€9bn	€16bn

Source: NPPPU

Note: OJEU threshold for Works - €5 million
OJEU threshold for Goods and Services - €133k for Central Government Departments and €206,000 for Local Authorities

Finally, Table 4.4 provides details of the procurement spend for the current year 2008-09 based on the individual expenditure figures provided by each of the key buyers interviewed by the research team.

Table 4.4 Buyers In Ireland (2008/09)	Capital (£m)	Goods & Services (£m)	Total (£m)
Department of Finance	6.6m	€47m	€6.6m
Health Service Executive (HSE)	€546m	€4,000m	€4,546m
National Roads Authority (NRA)	€1,200m	€3m	€1,203m
Cork County Council	€460m	€310m	€770m
Department of Justice, Equality and Law Reform	€27m	€500m	€527m
Dublin City Council	€0m	€337m	€337m
Electricity Supply Board (ESB) Networks	€15m	€275m	€290m
Kerry County Council	€126m	€138m	€264m
Cork City Council	€88m	€78m	€199m
University College Cork (UCC)	€80m	€55m	€135m
University College Dublin (UCD)	Breakdown not provided		€101.75m
Office of Public Works	€357m		€417m
Department of Foreign Affairs	€19m		€49m
Cork Institute of Technology	€7m		€22m
Tralee Institute of Technology	Breakdown not provided		€17m
Department of Enterprise, Trade and Employment	€455m	€15m	€470m
Source: KPMG Primary Research with Northern Ireland CoPEs			

Note (re SIB): Procurement spend details are not included in this table for the Strategic Investment Board (SIB) because the role of SIB is to advise other government departments/agencies in the implementation of their capital projects and programmes and to oversee the delivery of the Investment Strategy for Northern Ireland (ISNI).

[29] It should be noted that expenditure classified as 'works' differs slightly from expenditure classified as 'capital' and can incorporate by way of an example expenditure on ICT systems, over and above expenditure on physical infrastructure projects that would normally be classified as capital expenditure.

It is important to note that given the pressures arising from the current tight budgetary environment and the current economic downturn in Ireland, some buyers contacted for the purposes of the research highlighted that they had limited resources to either meet with the study team and/or pull together expenditure data in advance of the interview. This is particularly evident for the education sector in Ireland, which is not fully accounted for in the table, as the Department for Education and Science was unable to meet with the study team as part of this research.

As previously noted, the emphasis was on achieving representative coverage, where the principle of 'commensurate effort' applied. In order to draw conclusions on the scale, dynamics and characteristics of the public procurement market in Ireland, the study team interviewed some of the main 'players' in this market.

4.3 Dynamics

4.3.1 Overview

In both jurisdictions, the profile of capital, goods and service expenditure will not remain static year on year. Government policy (particularly in light of the recent economic challenges) and the development of best practice have the potential to influence the overall spend and the respective split between capital procurement and goods and services procurement.

Recent figures from the CPD[30] suggest that public procurement expenditure (which falls under the responsibility of the CoPEs[31]) has increased over recent years, from circa £1.6bn in 2002/2003 to circa £2.2bn in 2007/2008.

Indeed, discussions with all of the CoPEs and other buyers in Northern Ireland suggest that the procurement spend is forecast to remain steady in the short-term. In some instances, there was even projected increases in expenditure reported by some buyers (e.g. Roads Service) linked to the timetabling of major infrastructure projects. Discussions with buyers in Ireland suggested that the public procurement market 'peaked' around 2006/2007. By contrast with NI, and in line with the recent public sector budget cuts, the general message in Ireland was one of projected contraction in procurement expenditure.

4.3.2 Demand Environment for Public Procurement on the Island of Ireland

The research with buyers in both jurisdictions provided evidence of an upsurge in interest in public procurement opportunities in recent months which was viewed to be driven in part by the current economic downturn, where in relative terms, the public sector was often viewed as a more 'stable' source of potential income. It was reported that:

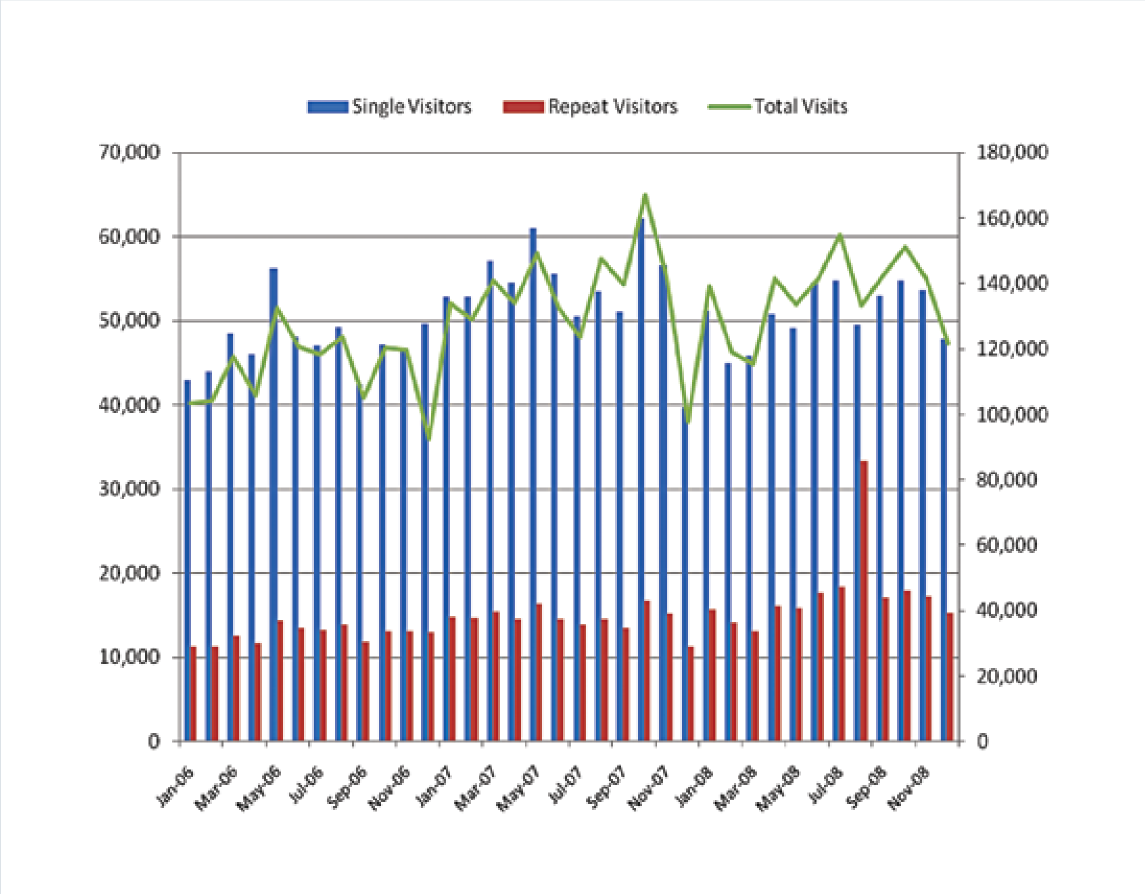
- There was increased numbers of companies tendering for opportunities;
- Discounting/ competitive pricing was more prevalent;
- Larger enterprises were tendering for smaller contracts than hitherto had been the case, distorting some of the traditional patterns of supply;
- Bidders were pro-active, almost immediately, in follow-up on tenders to ascertain if they had been successful; and
- There was an increase in the number of legal challenges and litigious behaviour amongst suppliers (with the incidence of claims up by on average 50-70 per cent), which was very resource intensive for the buyers to deal with.

[30] CBI Public Procurement Conference – 5th March 2009.
[31] These figures exclude Local Government expenditure.

The increase in public procurement opportunities, in recent years, is also evidenced by some of the website traffic research conducted by the study team. In particular, the traffic on eTenders[32] indicates growth (of circa 8 per cent) between 2006 and the end of 2008 in terms of total visits to the site, as illustrated in Figure 4.1.

This is largely generated from repeat visits which are up by 38 per cent over the same period. Although the trends do fluctuate in the graph (included overleaf), if a trend line was applied, the general trend would be upwards. Furthermore, it is noticeable that there is a particular 'peak' in repeat visitors in August 2008 which is not thought to be attributed to any large increase in tenders advertised the same month. One possible explanation for the increased 'traffic' in this month could be the use of eTenders to advertise procurement seminars.

Figure 4.1 Level of interest in public procurement opportunities (eTenders)



Source: Via Webtrends and provided to the NPPPU by Millstream Associates. It should be noted that the number of repeat visitors relate to the number of people that visited the site twice or more – thus contributing many times over to the number of visits per month.

[32] This data was gathered via Webtrends and provided to the NPPPU by Millstream Associates.

Table 4.5: Level of interest in public procurement opportunities (eTenders)

	2006	2007	2008	Change 06/07	Change 07/08	Change 06/08
Single Visitors	568,236	647,431	609,971	+13.9%	-5.8%	+7.3%
Repeat Visitors	153,290	175,923	212,272	+14.8%	+20.7%	+38.5%
Total Visits	1,363,540	1,637,821	1,635,421	+20.1%	-0.1%	+19.9%
Source: Via Webtrends and provided to the NPPPU by Millstream Associates						

There were 46,853 suppliers registered with eTenders in mid February 2009 when the research for this aspect of the study was undertaken, which is detailed in Table 4.6. Unfortunately, it is not possible to segment by geography (e.g. Northern Ireland, Ireland or external to the island of Ireland) nor is there any centralised information available in relation to activity levels (e.g. Invitation to Tender (ITTs) requested, submitted and awarded against registered suppliers). This is reflective of the main function of eTenders as a tender alert service only rather than a full eSourcing/eProcurement solution.

Table 4.6: Supplier Registration for eTenders by size

Category	
Total no. of Awarding Authorities registered	2,065
Total no. of Authority Users registered	4,098
Total no. of Suppliers registered	46,853
Active Notices	918
Active Notices with Attachments	536
Active Tenders	666
Active Tenders with Documents Attached	494
Active Register Interests	907
Source: Via Webtrends and provided to the NPPPU by Millstream Associates	

The supplier registration details for eTenders captures data on the size of companies (by employee number and headcount). These are illustrated in Table 4.7 and again, it should be noted that these are inclusive of all registered suppliers within and external to the island of Ireland.

Table 4.7: Supplier Registration for eTenders by turnover

Employee Range	Number of Companies	Cumulative Percentage
1 – 4	11,782	33.4%
5 – 9	4,080	11.6%
10 – 19	4,614	13.1%
20 – 49	4,820	13.6%
50 – 99	2,590	7.4%
100 – 199	1,998	5.6%
200 – 249	664	1.9%
250 – 499	1,159	3.3%
500 or more	3,560	10.1%
Total	35,267	100%

According to the EC definitions of micro-, small- and medium-sized enterprises by headcount:

- 45.0 per cent of all companies registered on eTenders are micro enterprises (<10 employees);
- 26.7 per cent of all companies registered on eTenders are small enterprises (10-50 employees); and
- 14.9 per cent of all companies registered on eTenders are medium enterprises (50-250 employees). Using the EC definitions of micro-, small- and medium-sized enterprises by turnover, the results, as detailed in Table 4.8, offer a slightly different profile.

Table 4.8: Supplier Registration for eTenders by turnover

Employee Range	Number of Companies	Cumulative Percentage
Less than €2 million	19,419	55.1%
Less than €10 million	7,817	22.1%
Less than €50	4,123	11.7%
More than €50 million	3,908	11.1%
Total	35,267	100%

Using either definition, the result is that approximately half of all registered companies are micro-enterprises and almost 9 out of 10 companies registered are SMEs. It is not possible to match these figures to the representation of SMEs in the 'all-island' economy because they are inclusive of all registered suppliers within and external to the island of Ireland. The high proportion of micro-enterprises does however correlate with a view expressed by some of the buyers interviewed within the study, that any actions arising from this study could be prioritised towards micro enterprises. In this context, particular reference was made to the urgent need for proportionality on financial thresholds for tender competitions - in that there will be increasing pressure on turnover levels within all enterprises in the current economic environment, potentially with smaller companies being more vulnerable.

The CPD has a similar supplier registration process for its eSourcing NI/ Bravo Solution system. Although it captures data on the size of companies, the system is not yet easily navigated from a management information perspective, in order to run reports segmenting the supplier base by company size. The system has been up and running since May 2008 and as yet, there is limited scope to provide any longitudinal trend analysis as per the eTenders trend analysis above. However, the CPD are able to provide information on the location of suppliers registered (e.g. North or South) and on activity levels (e.g. Invitations to Tender (ITTs) requested and submitted against registered suppliers). Information that has been provided across the two systems to the study team.[33] This is linked in part to how established the systems are, and the fact that one is a tender alert system and the other a complete eSourcing tool.

That said, interesting and useful information has been gleaned from both through the co-operation and support of both NPPPU and CPD officials.

4.3.3 Cross Border Perspective (of the Demand Environment)

The buyers interviewed within the research programme for the study, in the main, indicated very low levels of tendering activity from the 'other jurisdiction'. Accordingly, the numbers of 'case studies' of successful tender awards on a cross-border basis, suggested by buyers interviewed for inclusion in the study, were very limited in number. However, there were some notable success stories including the following examples:

- the consortia involved in the development of Enniskillen Hospital, where one of the lead contractors in the consortium is from Ireland;
- the Southern SME contracted by Newry and Mourne District Council to provide a minor capital works scheme at the Lough Ross Amenity Site;
- the Northern SME contracted by the HSE in Ireland to provide aids and appliances for homecare; and
- the Northern SME contracted by the OPW's Government Supplies Agency (GSA) in Ireland in respect of a niche clothing contract.

As set out previously, the research also highlighted examples of good practice in cross-border contracting involving co-operation between buyers North and South. One of these is detailed in the first case study, relating to co-operation between Roads Service and the NRA for the implementation of the A1/N1 cross-border road.

Statistics provided by the CPD on the activity levels of suppliers from both North and South within their eSourcing system (between 6 May and 31 October 2008) is detailed in Table 4.9. These provide testimony to the market failure in relation to cross-border procurement. Specifically, the limited numbers of Ireland-based suppliers registered with the system, follows through to an even poorer representation in terms of tender

[33] eSourcing NI/Bravo Solution and eTenders.

Table 4.9: Activity Level of Suppliers (eTenders)

	2006	2007	2008	Change 06/07	Change 07/08
Companies Registered	568,236	88.7%	187	11.3%	1655
Companies Active	153,290	89.1%	111	10.9%	1015
% of registered companies who are active	1,363,540		59.4%		61.3%
ITT Invites Issued		95.4%	199	4.6%	4363
ITT Responses Received		96.8%	26	3.2%	806
% of invites for which responses are received			13.1%		18.5%

'Over the period 6th May to 31st October 2008, 806 ITT responses were received by CPD from suppliers within the island of Ireland, for Northern-based public procurement opportunities…97% of these were from NI based suppliers and 3% from Ireland-based suppliers' - ***CPD***

issue and submissions back to the CPD. These findings correlate with the SME survey where it was evident that most of the 'traffic' in terms of tendering activity was from North to South.

4.4 Characteristics

4.4.1 Size of Supply Base

The research programme with buyers, both North and South, highlighted that in the context of the current economic downturn there has been a general expansion of their supply bases. This is consistent with increasing interest in public procurement opportunities, evidenced also through the findings of the SME survey set out in Section 5.

> *"There is a hungry market for firms (bigandsmall) to win jobs in this economic climate, our supply base is expanding."*
> ***Buyer in Northern Ireland***

It is interesting to note that some of the buyers, particularly in Ireland, did not know the size of their current supply base, which may reflect the need for better centralised management information on procurement, contracts awarded and associated supplier profiles. It may also reflect the shifting structure of their supply base in the current economic downturn with more suppliers targeting public sector tender opportunities therefore causing difficulties in maintaining up to date and accurate supplier information.

> *The SME supplier base in Ireland is relatively fragmented."* ***Buyer in Ireland***

The research with buyers aimed to ascertain the proportion of suppliers that would be categorised as SMEs vis-à-vis large suppliers. However, it was evident from the research that there is no consistent definition of an 'SME' that is used by buyers in the public sector procurement market in both Northern Ireland and Ireland. For instance, a key Northern buyer (CPD) indicated that in their opinion, the majority (if not all) of their suppliers in Northern Ireland fall within the EU definition of an SME[34]. Furthermore, there was limited distinction between SMEs of varying sizes (i.e. small versus medium versus micro-enterprises) because buyers did not have the centralised management information to easily run contract award data by company size. However, some of the buyers from Northern Ireland interviewed in the goods and services arena had large supplier bases that were easily split between SMEs and larger companies.

34 'The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding €50 million, and/or an annual balance sheet total not exceeding €43 million' - extract of Article 2 of the Annex of Recommendation 2003/361/EC.

For example, RSS reported that they had circa 4,700 individual suppliers with circa 40 per cent (1,880) of those suppliers categorised as SMEs as per the EU definition.

As would be expected, the buyers that typically engage in capital procurements (e.g. within NI, the Roads Service and NI Water) have relatively small supplier bases (circa 50 and 450 primary suppliers respectively) compared to buyers that typically engage in goods and services procurements. Accordingly, it was suggested that because the 'critical mass' of tendering activity is much larger in the goods and services arena, that this was perhaps a more productive area for SMEs seeking to enter the market directly. In addition, the local government sector was highlighted as one where there is a strong penetration of SMEs (including micro-enterprises), evidenced for instance in Belfast City Council, who reported that they had circa 1,500 suppliers.

Although there is limited quantifiable evidence to support this finding in Ireland (due to the buyers typically not knowing the profile of their current supply base), it was suggested that it is a similar scenario to Northern Ireland. Effectively, buyers predominantly responsible for capital projects had a smaller primary supply base vis-à-vis buyers predominantly responsible for goods and services contracts (e.g. the GSA in OPW).

4.4.2 Cross-border traffic

As was previously suggested, the research programme with buyers across the island of Ireland either indicated absolutely none or minimal levels of tendering activity from the 'other jurisdiction'. For example, nearly all (99 per cent) of Health Estates Agency's supply base was from Northern Ireland, whilst the majority (90 per cent) of the Northern Ireland Housing Executive's supply base was also from the North. Belfast City Council reported that 85 per cent of their supply base was from within the same jurisdiction, with the balance being 11 per cent from England, 2 per cent Wales and 3 per cent other (which may have included one or two suppliers from Ireland).

These findings are consistent with the very limited South to North traffic on the CPD eSourcing system (set out earlier in this section) and the findings of the SME survey (in Section 5) which suggests more limited traffic in terms of tender activity from South to North.

However, it should be noted that some buyers in Northern Ireland, were increasingly pro-active in targeting suppliers from Ireland. A notable example of this was Newry and Mourne Council, who, when launching their new eProcurement system, ensured that it was promoted to new suppliers immediately across the border. This has followed through to increased involvement of SMEs from Ireland as active suppliers to the Council.

The research programme with buyers in Ireland detected some instances of Northern suppliers being successful in winning contracts. Again, this would be consistent with the fairly high levels of use of eTenders by Northern suppliers and the findings of the SME survey set out in Section 5 (where 40% of experienced companies from Northern Ireland had won at least one contract in the last year on a cross-border basis compared to 11% of experienced companies from Ireland). Most of the success stories in cross-border procurement, highlighted by buyers in this regard, were in niche areas as illustrated in the text box below.

> *We had a successful cross border procurement with respect to the provision of aids and appliances for home care. Companies in Ireland were focused on the hospital market and did not see the opening in this emerging market. Companies in Northern Ireland were already established in this market in the North and, therefore, had a head start.*
> ***Buyer in Ireland***
>
> *"The majority of SMEs servicing our clothing and footwear contracts are based in Ireland, however, we have just had one recent clothing contract awarded to a Northern-based firm."*
> ***Buyer in Ireland***

4.4.3 Procurement Routes

There are a number of different procurement routes which buyers in both Northern Ireland and Ireland can use to source and engage with suppliers. The research with buyers identified the following typical procurement routes:

- Open;
- Restricted;
- Frameworks/Pre-qualified lists; and
- Public Private Partnership (PPP)/ Private Finance Initiative (PFI) and Competitive Dialogue.

The research suggested that buyers typically use a blend of different procurement procedures depending on their specific needs and requirements. A common theme that emerged in both jurisdictions was the use of the open procedure for routine goods and services requirements of a lower value, which were deemed to be particularly suitable for SMEs. For example, Derry City Council tends to use the open procedure for the majority of its goods and services requirements, however for larger value capital projects within the Council, the restricted procedure is normally used due to the increasingly technical aspects of the contract. Similarly, buyers such as the NIHE and NI Water, both use a combination of open (for goods & services) and restricted (for larger capital) procedures.

Frameworks are commonly used throughout the island as a means to source appropriate suppliers. The research with buyers suggests that the length of frameworks can vary from 2-4 years, which has obvious implications for potential suppliers that are precluded. Buyers perceive that frameworks are an effective means of maintaining an approved list of suppliers, which from the outset have to demonstrate their capacity and capability to be included. They were also of the view that frameworks enabled them to ensure that there had been a certain level of 'sifting' prior to each tender opportunity.

For instance, in 2005-06 the HSE in Ireland started utilising framework agreements as they were of the view that they provided them with more agility and flexibility. In this regard, it is interesting to note within the SME survey that the views on the use of frameworks were mixed as set out in Section 5.

One of the largest 'players' in Ireland in terms of public sector procurement spend (the National Roads Authority), engages in PPP/PFI procedures given the large capital element of its procurement budget. This is similar to Health Estates Agency in Northern Ireland, which is responsible for the capital budgets associated with the National Health Service in Northern Ireland. It is involved in more complex procedures including PPP/PFI and more recently the use of competitive dialogue (e.g. the Enniskillen Hospital contract). Competitive dialogue is a procurement procedure that has been used more recently in Ireland, with varied successes reported. Some buyers indicated that it is complicated and time consuming, whilst others emphasised that if facilitated properly, it can become an opportunity to achieve greater value for money and increase innovation through engaging early in the process with suppliers. Evidence from the buyers to date suggests that competitive dialogue is not widely used throughout the public sector procurement market in either jurisdiction. To date, its use has mainly been applied to large capital projects and therefore, has had limited impact for SMEs.

"Competitive Dialogue is utilised for projects where it is difficult to describe the desired outcome at project commencement, for example, the co-location of private hospitals." ***Buyer in Ireland***

For the procurement and delivery of PPP projects, we have traditionally adopted the negotiated procedure. Following the publication of the 2004/18/EC Directive we now adopt the Competitive Dialogue procedure." ***Buyer in Ireland***

"With respect to the procurement of professional/consultancy services, we adopt the restricted procedure in the vast majority of instances. In a limited number of cases we adopt the open procedure. For example, the open procedure was utilised for the Framework agreement for the Technical Consultancy Panels in respect of Education Projects. The Framework was for five separate disciplines with four providers in each discipline. Due to the reduced scale of the project, as a consequence of breaking the project into separate disciplines, there was wider participation in the tendering process and subsequently increased competition." ***Buyer in Ireland***

It is also interesting to note the last case cited in the text box above where 'unbundling' of the tender in question into five disciplines resulted in increased competition. This is of relevance to the debate later in the report about the need to achieve a balance between aggregation and 'unbundling' of procurement to facilitate increased SME access.

4.4.3.1 Barriers to Involvement of SMEs in Public Procurement Market

The main view expressed through the research with buyers was that SMEs do have the capability to participate in public procurement but often an ignorance or fear of the procurement process can constrain their capacity to do so. It was viewed that this ignorance or fear of the procurement process was amplified in a cross-border context. Accordingly, buyers (who were aware of the Go-2-Tender programme) acknowledged the valuable role it played in breaking down some of these barriers for SMEs considering tendering on a cross-border basis and led to suggestions that there could be more intensive and advanced follow up courses to consolidate capability building.

It was also suggested that more emphasis could be placed on securing additional participation in the Go-2-Tender programme from Ireland, given that the study has demonstrated that cross-border tendering activity is dominated by North to South flow.

The debate with buyers suggested that most of the reasons that SMEs failed to win tenders were based on the inability to address buyer needs (i.e. 'answer the exam question'), which gave rise to suggestions about the need for more intensive support in terms of 'intelligent' tender writing.

The research programme with buyers identified a number of perceived barriers which prevent SMEs tendering more to the public sector. The views of buyers in Northern Ireland did not differ significantly from the views of buyers in Ireland in relation to barriers for SMEs accessing the public procurement marketplace (in their own jurisdiction).

However, Table 4.10 outlines the perceived obstacles to cross-border procurement, as identified through the research programme with buyers, North and South. There are detectable differences between the two – specifically the Northern buyers placed more reliance on financial and regulatory barriers, whereas their Southern counterparts identified more capacity and attitudinal/behavioural issues.

Table 4.10: Barriers to cross-border procurement identified by buyers

Northern Ireland Buyers	Buyers in Ireland
• Exchange rates	• Lack of understanding of supply chain access
• Currency	• Poor knowledge/understanding of the procurement process
• VAT	• Transparency
• Tax rates	• Proportionality
• Rules and regulation	• Onerous obligations
• Perception that 'tendering is harder than it is'	• Ability to service the contract
• Fluctuation in prices of raw materials	• Ability to access Frameworks
• Use of frameworks can be prohibitive for SMEs	• Bid costs - generally SMEs are risk averse
• Size and capacity of SMEs to deliver products	• Failure to monitor public procurement opportunities
• SMEs limit themselves to one client	• Minimum threshold requirements can be restrictive
• SMEs reluctant to make initial contact with buyer	• Risk aversion - unless SMEs perceive they have a significant chance of success they will not tender
• Fail to comply with Instructions	• Perception that the incumbent company is entrenched and will win the tender
• Fail to comply with deadlines for submission	• Drive for economies of scale limits participation of SMEs
• Lack of ICT capacity and skills	• Strategy of aggregation limits participation of SMEs

4.4.3.2 Supply Chains/Partnerships

The buyer research suggested that SMEs are not extensively involved in supply chains, partnerships, clusters or consortia. This is reinforced by the findings of the SME survey, set out in Section 5, where it was evident that sole tendering was the predominant route by which SMEs aimed to access public procurement opportunities, either in their own jurisdiction or on a cross-border basis.

Within each jurisdiction, there has been investment in activity to encourage supply chain development and networking and InterTradeIreland has been very active in this area on a cross-border basis in recent years, through a wide range of programmes and interventions, such as the Build Up Network.

However, the supply chain interventions that have been implemented have, in the main, not been solely focused on the public procurement market. The main exception to this is the support that Invest NI currently provides for the use of the Supplier Model, in the Construction Sector, which provides SMEs with the networking and capacity development support to access work packages as part of larger public sector construction projects. It's success is based on the specific 'sequential' nature of the construction tendering process, where lead contractors are appointed initially and then components of the overall contract are tendered to sub-contractors.
In turn, sub-contractors may further sub-contract smaller work packages to other companies.

The capability support provided typically assists participating companies in the development of pre-qualification criteria which can include Construction Line Registration, ISO accreditations, environmental compliance, Safe T Cert and insurance. This type and level of support is unique in that it offers companies tangible support to enable them to develop the skills and competencies to move their organisations into the higher value markets of commercial and public sector tendering.

The introduction of social and community benefit clauses into recent major capital projects being tendered in the public sector, has created a positive context for the implementation of the Supplier Model in NI. In particular, these clauses have given locally based construction companies reassurance, that in the current economic climate the problems faced by the industry are being given attention. For example, the training and development needs of new graduates and trainees (e.g. apprentices) who are considering future careers in the construction industry. These clauses can reinforce some of the sustainable procurement policy intentions of the Northern Ireland Executive set out later in this section.
By way of examples, the use of the Supplier Model is currently being considered in two major infrastructure projects at this point in time - Enniskillen Hospital and the integrated training college for the police, prison and fire services at Desertcreat in Cookstown.

The key issue to note is that the Supplier Model, funded by Invest NI, is currently providing support to companies in Northern Ireland. During 2007-08, the programme was also supported by InterTradeIreland and operated from May 2007 until June 2008. The programme proved to be successful and offered companies on both sides of the border the opportunity to partner and deliver on major construction projects, but due to the fact that the funding in Ireland was only for one year, many companies felt that this was not sufficient to enable them to implement the necessary pre-qualification standards that would assist them in tendering for major commercial and public sector contracts. Funding of joint jurisdiction projects, particularly within the construction sector, have proved to be a success and could be considered again in light of the downturn within this sector on both sides of the border. This would clearly assist in expediting opportunities for cross-border public procurement, and more broadly prove beneficial in contributing to the promotion of cross-border partnership and networks. This issue is revisited in the recommendations set out in Section 8 of this report.

In Ireland, it should be noted that Enterprise Ireland is proposing to develop interventions aimed at brokering supply chain relationships between indigenous Irish Information and Communication Technology (ICT) SMEs and some multinational ICT companies (with bases in Ireland) – partly with a view to them partnering on public procurement opportunities. This concept is now moving from an early stage in development towards implementation stage.

The key issue to note from these observations is that there is limited evidence of joint-working between SMEs on a cross-border basis (to access public procurement opportunities) and interventions to facilitate the same.

Furthermore, the research suggests that outside the construction sector, there may be a need for different approaches to facilitate 'strategic teaming' between SMEs particularly on a cross-border basis. This issue is revisited in Section 8 of this report.

4.4.4 Use of Public Procurement to Foster Innovation

Public procurement has emerged as a potentially powerful instrument to drive research and innovation by providing 'lead markets' for new technologies. By providing lead markets for new technologies, public authorities can give companies with the incentive to invest in research in the knowledge that an informed customer is waiting for the resulting competitive innovations. At the same time, it opens up opportunities to improve the quality and productivity of public services through the deployment of innovative goods and services.

The key issue raised within the buyer research was the need to structure the procurement process to facilitate a critical element of dialogue between the supplier and the buyer at the earliest stage. It was highlighted that this in itself required a 'mindset' change amongst buyers to distinguish between procurement and tendering - where the former also encompasses the identification of the public sector 'need' and associated market sounding prior to issue of the ITT. The use of negotiated procedures and competitive dialogue were highlighted as key procurement routes that could be deployed in certain situations, to structure the procurement process and facilitate pre-commercial dialogue.

However, there was a desire for additional mechanisms to facilitate transparent and structured processes of engagement between buyers and suppliers at this pre-tender/pre-commercial stage, with the explicit remit of achieving better levels of innovation and 'fit with buyer needs'.

As set out in Section 8, there is work progressing within the Department of Enterprise, Trade and Investment (DETI) in Northern Ireland, in the context of the MATRIX report[35], to explore the feasibility of replicating a pre-commercial procurement process involving high technology SMEs to 'de-risk' innovative ideas and make them 'procurement ready'. Therefore, this model as set out in Section 7, could represent a valuable additional mechanism to meet the buyer requests set out above, and consequently has been included in the recommendations in Section 8.

4.4.5 Sustainable Procurement and SME Involvement

In its widest context, sustainable procurement involves consideration of:

- Value for Money - quality, fitness for purpose, whole-of-life costs;
- Environmental aspects; and
- Social aspects – sustainable supply chains and the effects of issues such as unemployment, labour conditions, occupational health and safety and compliance with relevant industrial and environmental regulations as related to the subject matter of the contract.

The EU Procurement Directives, as implemented through the Public Contracts Regulations 2006 and Utilities Contracts Regulations 2006, and case law of the European Court of Justice, have provided scope whereby environmental and social considerations can be incorporated into technical specifications and contract performance clauses (provided they relate to the subject matter of the contract).

Equality of opportunity and sustainable development are integral to government policy as a whole, and are evolving within procurement practices in both jurisdictions. Indeed, in the context of Northern Ireland, the Programme for Government (PfG) includes an objective (PSA 11.4) to support the wider public sector in taking account of sustainable development principles when procuring works, supplies and services. Through the infrastructure procurement process, the Northern Ireland Executive is seeking to promote social inclusion and equality of opportunity. It is envisaged that this will impact through employment plans, building opportunities for apprenticeships into major construction contracts and help those eager to develop key skills that are valued in the workplace. The process will also include steps to protect and enhance the environment.

On a practical level, this is evidenced by the fact that all CoPEs in Northern Ireland have produced their own Sustainable Procurement Action Plans. However, the research suggested a need for more practical guidance to buyers on the whole issue of sustainable development in both jurisdictions. In this regard, it is interesting to note from the SME research in Section 5 that the term Sustainable Development is not widely understood.

In the construction sector in Northern Ireland there have been recent developments (since January 2009) to embrace social and community benefit clauses within large scale construction contracts. Specifically, the target is to create one apprenticeship position, either directly or through the supply chain, on each project for every £2m (or less) of capital spend and to create one job for a previously long term unemployed individual, either directly or through the supply chain, for every £5m (or less) of capital expenditure. Other targets include the monitoring of the progress and retention of apprentices by the Construction Industry Group NI and the Department for Employment and Learning (DEL). It is understood that the feasibility of a similar model is being explored for goods and services contracts by the CPD at the present time.

The use of social and community benefit clauses can be very beneficial for SMEs. As is evident from previous discussion, they have been effective in creating a positive environment for the implementation of the Supplier Model to secure engagement of local SMEs as potential sub-contractors within major capital projects.

In the environmental context the research with buyers in Ireland suggested that the inclusion of weighting within the tender evaluation criteria for carbon footprint could promote indigenous SME supply, but that buyers would need more guidance on legal boundaries within this context.

4.5 Summary

This section has outlined that:

- The public procurement market on the island of Ireland is worth circa €19/£15.2bn;
- The demand environment remains very healthy, indeed there were constant references throughout the research to an increasingly competitive 'hungry' market;
- Buyers indicated low levels of tendering activity from the 'other jurisdiction' and in particular limited South to North 'traffic';
- Buyers suggested that on the whole, SMEs fail less on compliance issues and more on a failure to write 'intelligent' tenders;
- SMEs are not extensively involved in supply chains, partnerships, clusters or consortia, particularly on a cross-border basis;
- The importance of facilitating mechanisms for pre-commercial dialogue between buyer and supplier to facilitate innovation; and
- The concept of sustainable procurement is poorly understood amongst both buyers and suppliers.

[35] Published in 2008.

5 Findings from the Research Programme with SMEs

5.1 Introduction and Research Methodology

This section of the report provides an overview of the findings from the research programme with 200 SMEs on the island of Ireland. This section contains a brief summary of findings with a more in-depth narrative of the results is included in Appendix 3 and supporting primary data in Appendix 4.

It was agreed with the Project Steering Group that the sample of SMEs should:

- Be equally balanced between Northern Ireland and Ireland;
- Be more heavily weighted towards SMEs supplying goods and services, but also have 20% representation from suppliers of capital goods / projects; and
- Be weighted in favour of SMEs that have experience of the public procurement environment on the island of Ireland (North and South) – whether simply experience of requesting tenders, or indeed full experience of requesting, submitting, and winning public sector tenders. This was agreed on the basis that these companies with experience of public procurement would be in a stronger position (i.e. a position of greater knowledge and understanding) to answer a wide range of questions on the topic of public procurement, and therefore provide an informed 'evidence base' to the study.

It was further agreed that the survey sample should include representation from SMEs that are not yet experienced in public sector procurement - but who had a product/service that could be sold to the public sector, with a view to understanding perceived barriers and related competitiveness issues which was the primary aim of the survey. The balance of experienced companies to inexperienced SMEs captured by the survey was 3:1.

5.2 Overview of Key SME Market Failures

The survey demonstrated a number of key market failures with regard to successful cross-border tendering, which were:

- Businesses that are not currently active in targeting the public procurement market commonly report that a lack of knowledge with regard to how to access that market is a significant factor in them not targeting the market;
- Whilst a high proportion of Northern Ireland companies do tender for public procurement contracts in Ireland, there is a significant 'fall out' between tender requests, submissions, and wins. This 'fall out' is much higher than the 'fall out' experienced by Northern companies in their own jurisdiction, suggesting additional barriers to successful tendering on a cross-border basis;
- A very small proportion of companies in Ireland reported that they actively pursue tender opportunities in the North's market. Indeed, 82 per cent of active SMEs in Ireland interviewed had not requested any tenders from the Northern Ireland market in the last year. These companies were very active in their own jurisdiction with 62 per cent having requested between 1-10 tenders in the last year, suggesting that in principle they should have the capacity to be active on a cross-border basis;
- Of the companies in the SME survey that had been actively targeting public procurement contracts in the last 12 months, 25 per cent were successful in the opposite jurisdiction (29 from the North and 8 from the South). This reinforces the point, from the buyer research, that the 'traffic' is largely from North to South;
- Although 'Sustainable Development' is becoming a more relevant evaluation criterion within the public procurement process (particularly with regard to encouraging indigenous supply) very few SMEs interviewed as part of the research understood this term. With the anticipated rise in weighting for this evaluation criterion this is a relevant market failure;
- The factors emerging from the SME survey as contributors to cross-border market failure include:
  - Lack of visibility of tender opportunities in the opposite jurisdiction;
  - Lack of understanding of how to pursue tender opportunities in the opposite jurisdiction; and
  - Sufficient capacity and capability to carry out the research needed to identify and pursue these opportunities.
- Consistent with the above, the main barriers to cross-border tendering specifically identified by SMEs include:
  - A lack of resources and time to research, identify and pursue cross-border opportunities;
  - Capability in terms of delivery capacity and scale, linked to a perception that only larger SMEs secure cross-border contracts;
  - Difficulty with understanding documentation required in opposite jurisdiction; and
  - The need to identify partners to help provide access to the opposite jurisdiction, to boost capacity and capability.

Case Study Number Two

NI SME: County Antrim Vehicle Manufacturer
Buyer: Various buyers in each jurisdiction
Tender Route: Sole Tenderer
Contract Value: Various Contracts

The company has been a vehicle manufacturer in Northern Ireland for more than five generations and has been in the industry for over 150 years. The company has an enviable reputation for design and quality of modern vehicles and by combining past heritage with contemporary design, are able to offer their customers the very best in bespoke vehicle engineering solutions.
The company use a number of different sources when identifying potential public sector tender opportunities, which are listed below:

- The company access the e-tenders website on a weekly basis to capture any public sector contracts which may be relevant;
- They have also signed up to Invest NI's Tender Alert Service, which sends them an email when relevant tenders are published;
- The company also consults other industry specific websites to find out about upcoming tenders; and
- Around 50 per cent of the tenders the company hear about are from the public sector customers themselves. Often a contact in the public sector department would make contact with the company to ensure they are aware of the contracts that have been advertised.

The company has been active in the Irish public sector market since 1997. Since this time, the company have tendered successfully for a significant number of contracts with County Councils in Ireland to supply vehicles. Each contract is usually for the supply of one or two vehicles. The company is currently manufacturing vehicles for eight local authorities in Ireland (Kildare, Cavan, Dublin, Carlow, Drogheda, Longford, Laois and Limerick).

The contracts are typically one off contracts and usually follow the announcement of annual investment allocations from central Government. The company is confident that its success in these contracts has been due to a combination of:

- Excellent product and service quality (this is well known in the industry);
- Excellent after sales service;
- Competitive pricing; and
- Ability to be flexible with regard to delivery schedules.

Managing customer expectations in line with schedules of component deliveries has been the key challenge experienced by the company when delivering the County Council contracts. However, this is a challenge which the company experiences during all projects, and is not specific to the Irish market.

Key Learning Points

- Getting to know the mentality of the public sector customer and understanding exactly what they are looking for;
- Being aware of the weighting given to each aspect of the tender submission and giving each the appropriate level of attention;
- Being familiar with the relevant paperwork/documentation required to complete tender submissions;
- During the project delivery it is important to understand the constraints under which public sector customers work e.g. budget scheduling, etc; and
- Managing customer expectations is critical to successful delivery in these projects.

5.3 Companies with No Experience of Public Procurement

All 46 (26 North and 20 South) companies interviewed who had limited or no experience of tendering to the public procurement market felt that their product/service could be sold in the public sector. The reasons given for not addressing the public procurement market were typically:

- Not having the appropriate capability (i.e. knowledge and skills); or
- Limited capacity (the appropriate resources or critical mass).

These respondents were then asked what would enable them to consider tendering for work in the public procurement market. Their responses typically related to helping them remove the barriers cited above by improving their resources, knowledge and skills – as well as reducing threshold barriers at tender stage.

5.4 Companies with Experience of Public Procurement

5.4.1 Dynamics of Market

154 experienced SMEs were captured by the survey. 77 per cent of these felt that the public procurement market would be very important to their business in the future. This reflects an increasing level of reliance on the public procurement market, evidenced by the fact that only 49 per cent of these companies had indicated that the public procurement market had been very important to them to date. This reinforces the general trend detected throughout the study of an increasingly 'hungry and competitive' market, reinforced by the current economic situation.

Of the 154 companies with experience of the public procurement market, 146 confirmed that they had been active within the past 12 months. Within this, 100 (53 North and 47 South) were successful in the last year in their own jurisdiction and a total of 37 (29 North and 8 South) were successful in the opposite jurisdiction. Again this highlights the fact that North to South 'traffic' is more prominent than South to North.

Case Study Number Three

NI SME: Premier Vehicle Solutions, (PVS) County Tyrone
Buyer: Various Cross-Border Organisations
Tender Route: Sole Tenderer

Founded in 2002, Premier Vehicle Solutions, (PVS), is a vehicle conversion company based in Ardboe, Co. Tyrone. The company specialises in converting light commercial vehicles to construction crew vans, wheelchair accessible taxis, wheelchair accessible minibuses and private wheelchair adapted vehicles.

Its sister company, Loughshore Autos (LSA), situated on the same site, was founded in 1998 and is a new and used commercial vehicle dealer specialising in taxis and minibuses. LSA has provided PVS not only with an outlet for their converted vehicles but an existing customer base on which to develop their sales.

In January 2008, PVS noted a huge decline in new construction crew van sales and as a result had to take a look at its future sales strategy. Crew van conversions had been the backbone of PVS's turnover for a number of years and the decline in the market posed a serious threat.

One of the new policies developed at that time was to actively seek out both private and public tender work. Traditionally, PVS had "stumbled across such work" or had simply supplied prices to other companies who were tendering on a sub contractor basis.

Since January 2008, PVS has submitted 12 tenders between both NI and Ireland and to date has secured £656,000 worth of sales. This is the financial equivalent of 328 crew van conversions (against a traditional turnover of 250 crew van conversions).

The following table outlines details of PVS's tendering activity:

Date:	Company	Value (ex. Vat)	Status
Jan. 08	Translink	£196,000	Win
Mar 08	HSE, Drogheda	£170,000	Win
July 08	Lisburn Borough Council	£84,000	Loss
Aug 08	Milford Centre, Limerick	£120,000	S/listed
Sept 08	HSE, Sligo	£118,000	Loss
Oct 08	HSE, Patient Transport	£270,000	Loss
Jan 09	SELB	Est. £120,000	S/listed
Feb 09	SOS Bendy Bus	£105,000	Win
Feb 09	CITB	£72,000	S/listed
Feb 09	HSE Roscommon	£44,500	Pending
Mar 09	RSA, Mayo	£65,000	Pending
Mar 09	Translink	£185,000	Win

The company believes it has competitively entered a niche in the market citing a small volume of competition through the island as more expensive while providing a less efficient service. Gerry Galvin, Sales Manager, cites the company's ability to innovate it's service around the needs of the market as key to their success. This has resulted in PVS Manufacturing Ltd increasing its product range and subsequently markets available to it. They also cite an efficient and effective tendering process as an enabler for the company to succeed in this market relatively quickly.
Key Learning Points

- Proactively researching other markets as more traditional markets start to decline;
- Listening carefully to the market and competitively offering a service that competes against current competition; and
- A developed internal tendering process (including a well briefed tendering team) that enables opportunities to be researched, identified and replied to promptly upon release.

5.4.2 Views on the Use of Frameworks

The SMEs interviewed within the survey were asked to give their perceptions on the use of framework contracts and the views were split fairly evenly between those who were negative (and cited that frameworks were a lot of work for little gain, were a complicated process and that the time periods were too long) and those who were positive (and felt that frameworks were a fair /effective process).

Allied to this, the research reinforced a need for buyers to ensure that frameworks are actively used (to optimise the return for investment for SMEs) and that they are as simple and as short as possible.

5.4.3 Contract Values

When applying for contracts in their own jurisdiction, it was found most (approximately 50 per cent) active SMEs tendered and won contracts worth €0-€60k - with other contract size bands being evenly represented by some 25 per cent of companies (even above €600k). This spread of tender values remained broadly the same when cross border contracts were considered, although the most frequent range for NI companies increased to €61-€120k.

5.4.4 Joint-Working

SMEs who had tendered on their own (and in the opposite jurisdiction) in the last year were asked to confirm what role they had assumed in these opportunities, the results of which are as follows:

- 94 per cent of companies interviewed in Northern Ireland and 96 per cent of the Ireland companies cited that they had adopted the role of sole tenderer when bidding for contracts in their own jurisdiction; and

- 68 per cent of companies interviewed in Northern Ireland and 92 per cent of the Ireland companies cited that they had adopted the role of sole tenderer when bidding for contracts in the opposite jurisdiction.

Overall these figures indicate potential for intervention to encourage 'joint working' or strategic teaming of SMEs, including on a cross-border basis, given that having a partner 'on the ground' in the other jurisdiction could be an 'easier' route for market entry. This issue is revisited in the recommendations set out in Section 8 of this report. Again the research suggests that the market failure in this regard is greater from South to North, rather than the reverse.

5.4.5 Reasons for Not Progressing Cross-Border Opportunities

A total of 87 (25 North and 62 South) active companies did not submit any tenders in the opposite jurisdiction in the last year. These companies were asked to give the main reasons for this. Significantly, there were a large number of reasons cited without one factor being the single major barrier. Collectively, the barriers related to a number of key themes:

- Lack of visibility and understanding of cross-border opportunities;
- Intention to establish their success in own public sector before progressing to cross-border activity;
- A lack of capability; and
- A lack of capacity.

In this regard, it should be noted that amongst active SMEs, the visibility of Irish tender opportunities to Northern Ireland companies was much better than the reverse. This was demonstrated with e-tenders being cited by 78 per cent of the Northern active companies interviewed and 100 per cent of the Southern companies as a source for identifying opportunities with relationships with buyers the second most cited means of finding out about opportunities in Ireland.

This point was well illustrated by the experiences of one SME interviewed from Ireland, who was successful in winning a contract with Newry and Mourne Council District Council for a minor capital works scheme at a Council owned amenity site, which was the first experience of this organisation in winning public sector contracts in Northern Ireland. The initial contact between Newry and Mourne District Council and the SME came about through a 'chance' referral from a public sector body in Ireland. In fact, had this not happened, the SME in question could have missed the opportunity which was placed in a Northern daily newspaper. This led to suggestions for a consolidated electronic system for access to sub-threshold tender opportunities on an 'all-island' basis.

All active SMEs were asked to identify the main barriers that prevented them from tendering more to the public procurement market. A large number of reasons were cited with relatively low percentages of companies citing each reason – therefore indicating the need to address a number of issues in parallel.

Such barriers largely related to:

- The resources required to address the market (60 per cent of active SMEs reported that they spent 1–5 days submitting a public procurement tender, with 18 per cent citing they spend 6–10 days on their submission);
- The capability of SMEs to succeed;
- Consistency of the buyers; and
- The removal of buyer imposed thresholds for participation.

5.4.6 Reasons for Being Successful and Unsuccessful in Tendering in Both Jurisdictions

SMEs who were successful in their own and opposite jurisdiction reported that previous experience, price, product quality and service quality were the main reasons why they felt they had been successful.

When asked why they were unsuccessful in their own jurisdiction SMEs cited price as the main reason – as well as lack of experience. However, when asked why they were unsuccessful in the opposite jurisdiction, price was cited as the major factor by almost all the companies asked.

These findings show that although companies identify a number of understandable factors for being successful, when asked to cite reasons for being unsuccessful there is a heavy weighting towards price – particularly with respect to cross-border contracts. This may be reflective of a need for SMEs to accurately 'self diagnose' as the research with buyers would suggest that price is not typically the predominant factor in SMEs failing to win tenders on a cross-border basis.

5.4.7 Improvements Cited by SMEs

SMEs cited a number of improvements which they felt would enhance their success. Again, these mainly related to:

- Simpler tender documentation;
- Public procurement training/support – particularly with regard to more 'Meet the Buyer' events, more advanced/intensive support for tender writing for joint working between SMEs, and awareness raising on sustainable procurement issues; and
- More 'SME friendly' practices with regard to 'unbundling' of contracts, proportionate thresholds and realistic timings, etc.

6 Public Procurement Programmes and Initiatives on the Island of Ireland

6.1 Introduction

A key aspect of the research was the identification of key programmes and interventions available to help SMEs access the public procurement market (in their own jurisdiction or on a cross-border basis).

6.2 Findings from Research into SME Programmes/Initiatives

A full synopsis of the key programmes and interventions available to assist SMEs in accessing the public procurement market (in their own jurisdiction or on a cross-border basis) is included in Appendix 6. This section highlights the key findings and draws on the evidence provided by independent analysis and review. It should be noted that all of the programmes and interventions have not been independently evaluated or assessed at this stage. Therefore, their impact cannot always be fully determined or quantified.

From a cross-border perspective there are a number of key programmes that InterTradeIreland manage, namely the Go-2-Tender Programme (formerly known as Go Tender) and the Network and Getwork Programme. The Go-2-Tender programme has a remit to assist SMEs aiming to win contracts in the 'all-island' procurement market through the provision of a two-day workshop and one-to-one mentoring support. The Network and Getwork programme is a trade development programme aimed at SMEs who are considering cross-border business opportunities. In its current phase (Phase 3), the Network and Getwork programme has 'mainstream' Meet the Buyer events supplemented with specific sectoral focus events.

The research has highlighted that both these programmes have been successful in obtaining high levels of uptake from SMEs in both jurisdictions, coupled with a strong geographical coverage. Independent analysis suggests (as outlined in Appendix 6) that each programme has made a quantifiable impact on a cross-border basis in terms of the value of public sector tenders won and the value of new contract sales.

Impact of the Programmes

It is reported that the estimated total net economic impact of the Go 2 Tender Programme (Pilot, Phase 1 and Phase 2) in the businesses' home jurisdiction ranged from £11,997,152 to £16,396,108, whilst the impact in the businesses' cross-border jurisdiction ranged from £386,957 to £528,839. Overall, the estimated total net economic impact of the Go Tender Programme (pilot, phase 1 and phase 2) ranged from £12,384,109 to £16,924,947.

It is reported that between its inception and July 2007, the Network and Getwork programme contributed to new sales/contracts of between £1,123,784 to £1,284,324, of which between £344,254 to £393,434 were new cross-border sales/contracts.

Both the Go-2-Tender programme and the Network and Getwork programme have direct linkages with eProcurement as at each training /workshop session, information is provided on the various procurement websites available (on a cross-border basis) along with an explanation of e-tendering submissions. Within each programme, there is also a deliberate emphasis on the tendering skill of competing in a market using innovative and sustainable development techniques.

The research suggests that both the Go-2-Tender programme and the Network and Getwork programme have been successful in assisting SMEs to become 'bid ready' in their aim to successfully win contracts on a cross-border basis. Looking ahead, there may be a need to target more uptake from Ireland vis-à-vis Northern Ireland, given the fact that the cross-border tendering activity captured within this study has predominantly been from North to South.

Case study number four illustrates how the uptake of InterTradeIreland and Invest NI programmes has impacted on cross-border tendering success.

Case Study Number Four

NI SME: Asset Management Ireland Ltd (AMI Ltd)
Buyer in Ireland: Department of Enterprise, Trade and Employment (DETE)
Tender Route: Sole Tenderer
Nature of Contract Awarded: Disposal of Information Technology

AMI Ltd is a leading IT & Electrical Disposal Specialists based in Mallusk, NI. The business was established to provide a full service covering all areas of IT & Electrical Disposal. AMI's main revenue streams come from working with disposal of clients' IT related hardware, software and stored data. AMI Ltd headquarters are in Mallusk, with a 3,500 square foot site acquired in the Rathcoole area, Dublin (just off N7/M50) during 2007. AMI Ltd has researched the Irish market through a number of initiatives (over the past 18 months) such as InterTradeIreland's Acumen project, Invest NI Exporting Excellence programme, direct contact with the market, the InterTradeIreland 'Network and Getwork' programme and the recent appointment of a full time sales executive from Ireland to sell their services to both the public and private sectors.

The company has recently won a 3 year contract for the secure disposal of information technology for the Department of Enterprise, Trade and Employment in Ireland. This will include both the disposal of hardware (computers, hard drives, storage devices) as well as software (existing data and electronic information). In addition, AMI Ltd has been developing a joint venture with a company offering complimentary services based in Dublin with the partnership recently winning a tender from a public body in Ireland.

AMI Ltd has been consciously competing on quality, experience and highly developed processes. This has resulted in them providing an unrivalled range of associated services to high standards of security and legislative compliance. It is this offering (as well as occasionally bidding within their joint venture) that has provided them with a competitive advantage difficult to match.

In addition, AMI Ltd cites the importance of good tender documents underlining the value of tenders written with the buyer in mind, as well as replying in the structure provided in the ITT.

Key Learning Points

AMI Ltd has been successful in cross border tendering for a number of reasons:

- In house competence in being able to research, segment, communicate with and sell to a chosen market;
- Using a number of sources of assistance (e.g. InterTradeIreland and Invest NI) to provide expertise and resources;
- Smart joint ventures providing a noticeable competitive advantage, as well as increasing the number of viable bids;
- A determined, slow and successful communication with the market to change their perception of the importance of a quality provision; and
- Good tender documents written with the buyer in mind, that answer the actual queries raised in the ITT in the structure provided.

From a single jurisdiction perspective, there are a number of interventions and initiatives that are currently offered in Northern Ireland. One of the key initiatives in this arena is the Passport to Export programme, which is managed by Invest NI. This programme provides a suite of services designed to facilitate export development amongst local SMEs. Its delivery is primarily centred on introductory and advanced workshops supplemented by market visits, bespoke research and advisory projects. The programme places an emphasis on the message that international competitiveness relies on innovation and sustainability. It was reported that there has been an increased uptake in the programme in recent months with a good geographical coverage.

Invest NI also provides a Tender Alert service as part of its trade development programme. The Tender Alert service enables the identification of local and international contract opportunities for SMEs, which can be customised and tailored to individual company needs (based on detailed profiles). The service also enables SMEs to gain access to a sub-threshold alert service which is particularly relevant in the context of this study (given that this may be a route for SMEs to successfully engage with the public procurement market). It was reported that there has been a sharp increase in the demand for this service from SMEs, further emphasising the trend of a 'hungry market' for public procurement opportunities. Finally, a fundamental aspect of the Tender Alert service is the linkages with the main tendering information sources throughout the island of Ireland and the UK. This provides SMEs with an opportunity to gain access to a full spectrum of public sector procurement opportunities.

Within Northern Ireland, local government plays a key role in the development of SME capability and capacity through the provision of ad-hoc workshops, meet the buyer events and specific training sessions (e.g. Belfast City Council). These interventions are not on the same scale as other programmes (such as Go-2-Tender and Network and Getwork) and tend to have a more 'localised' focus, which may be particularly relevant for start-ups and/or SMEs who are inexperienced in the public procurement market.

In Ireland, there is a suite of support initiatives and interventions that are currently being planned or piloted by Enterprise Ireland, which will aim to increase the competitiveness of SMEs. This may include the following:

- The roll-out of tender writing support sessions /workshops (similar to the Go-2-Tender workshops but on a single jurisdiction basis);
- Sessions aimed at developing SMEs abilities to identify and work in consortia/supply chains;
- Provision of support offerings that would enable SME collaboration with larger companies; and
- Initiatives to encourage SMEs to seek opportunities outside their traditional sector.

Furthermore, the research suggested that there are varied levels of support available in the local government sector in Ireland spanning ad-hoc workshops, meet the buyer events and various tender writing support programmes. In this regard, DCC produces a Business Linkage Booklet which provides information and general guidance to companies who are seeking to work with the public sector. The booklet provides details on thresholds, tax advice, individual contracts and suppliers and provides a general overview of procurement rules and regulations. Finally, the Forum for Public Procurement is active in the provision of a wide range of SME awareness and capability development courses, including the regular 'Buyers Uncovered' seminar series.

Case study number five highlights a number of lessons in respect of strategic and pro-active targeting of the public procurement market, encompassing success on a cross-border basis.

Case Study Number Five

SME in Ireland: Larkin Engineering Tuam, County Galway
Buyer in Ireland: Various Councils
Tender Route: Sole Tenderer
Nature of Contract Awarded: Provision of Street Furniture
Contract Value: €250k €400k per annum

Established in 1986 by Noel Larkin, Larkin Engineering is a leader in the manufacture of general engineering components and street furniture. The company's product range was gradually expanded to include seating, bollards and other items of street furniture. By 2002, staff numbers had increased to 24 and annual turnover reached almost €1 million, with various local authorities around the country becoming customers. At this stage, the company still focused exclusively on the domestic Irish market.

The big breakthrough came in 2003 when the firm tendered successfully for a street furniture contract with Dublin City Council (DCC), the largest local authority in Ireland, worth between €250,000 and €400,000 per annum. This led onto further targeting the UK market, in both Northern Ireland and Great Britain.

However, Noel found out that cracking the UK market was not a straightforward affair. Rather than attack the entire market, Noel targeted the northern urban belt covering Liverpool, Manchester, Leeds and Newcastle in 2003, but initially encountered considerable obstacles. The company adopted a different approach. "Every year, there is a large waste management exhibition in Torquay. We took a stand at a cost of £2,500 we picked up a lot of contact names, but we did not sell any products. We followed the leads and eventually South Shields Council in Newcastle on Tyne came on board."

Following success in Great Britain, Larkin Engineering also supply a number of Councils in Northern Ireland, including Belfast City Council, Derry City Council and Fermanagh District Council; in total, the company has generated around €250,000 of business in Northern Ireland. However, it is not always plain sailing Larkin Engineering started working with Belfast City Council in 2004 and continued to supply them through 2008, but then narrowly lost out on the contract for 2009 (in part due to the unfavourable exchange rate). This was offset slightly by a further success in December 2008, when the company successfully won a Fermanagh District Council publicly advertised tender for the design, manufacture and supply of weather shelters for Cross Cemetery; the value of the contract to Larkin is approximately €30,000. The company also secured business from Derry City Council during 2007-2008 in the region of €60,000.

Key Learning Points

Larking Engineering cite the following as key lessons to be drawn from the process:

- Get to know the system, including the very detailed documentation;
- Deal with a number of different departments in the buying process, identifying the right person in each; and
- Proactively approach the market, using methods such as trade shows to promote your company to the buyers.

6.3 Perceived Effectiveness of SME Programmes/Initiatives

There was often limited knowledge among buyers of the detailed focus of programmes such as Go-2-Tender, however they acknowledged that they had a key role to play in breaking down some of the barriers for SMEs and developing the right 'mindset' for public sector tendering. This was linked with the suggestion that SMEs historically failed within the public procurement market more on compliance issues, whereas in recent years levels of compliance have improved substantially and SMEs now fail more on 'a failure to answer the exam question'. Buyers commented that perhaps more advanced or intensive support could assist SMEs in identifying and fulfilling buyer requirements better.

Conversely, the majority of the buyers interviewed were very knowledgeable about Network and Getwork events although opinions were divided on their specific impact and success. It was noted that the events were advantageous to stimulating cross-border trade and building relationships and also provided an insight for SMEs to the specific requirements and needs of buyers.

It was suggested that the events could be more focused with greater emphasis on all sectors. It was also suggested that post the event, SMEs need to be more proactive in following up on any outcomes that were discussed or achieved at the event. At an overall level, buyers reported that there needs to be improved matching, not only to match appropriate SMEs to buyers, but also appropriate SMEs to SMEs[36].

ITI programmes have been effective in breaking down barriers for SMEs e.g. Go 2 Tender, and Network & Getwork.
Buyer from Northern Ireland

Meet the Buyer sessions tend to be poorly managed with a mismatch of buyers and suppliers." ***Buyer from Ireland***

Not enough Meet the Buyer events more coordination required.
Buyer from Northern Ireland

SMEs need to be more proactive in the follow up post the event." ***Buyer from Northern Ireland***

"Not enough engagement with trade bodies."
Buyer from Northern Ireland

There is a need for potential meetings with front line officers rather than the Heads of Procurement as meetings are too high level for SMEs. There is also a need for more focused events.
Buyer from Northern Ireland

From an SME perspective, the survey detailed that 99 (49 per cent) (49 North and 50 South) respondents had some form of public sector procurement training/support including but not limited to the following:

- Go-2-Tender (within the last 3 months);
- Go Tender (2003-2006);
- Invest NI Tender Workshops;
- FPP Training Seminars;
- MicroTrade Meet the Buyer events;
- Various CPD initiatives; and
- A number of local government initiatives.

On an overall level, the research programme with SMEs suggested that the training/support interventions available to SMEs were effective in enabling them to access the public sector procurement market, and in particular, enabling them to develop the knowledge and mindset for public sector tendering.

[36] For joint working/joint tendering.

Positive comments from SMEs about the support/training interventions typically included:

Good information on the Public Sector	Good Guest Speaker
Provided good understanding of the processes involved	Good Quality Material
Good Delivery/Format	Good advice on how to build relationships
Good support with how to write/present a proposal	Very useful
Very Informative	Effective information
Good to get access to other participants - share experiences	Very good practical support
Very valuable/interesting programme	A small group with lots of interaction
SME Survey	

Typical negative comments from SMEs about the support/training interventions included:

"Little interaction with participants"
"Didn't tackle issues I was interested in"
"There was a lot of irrelevant information"
"Not aimed at small companies"
"Would have liked longer with the buyers"
SME Survey

7 Learning from Good Practice

7.1 Introduction

Rather than research the entire public procurement environment (and associated good practice to encourage participation of SMEs) in other geographical regions, the emphasis has been on researching particular topics or themes of good practice.

These themes are linked to issues and gaps that arose during the research with buyers and SMEs previously detailed in this report. This section therefore sets out the basis of each theme and the associated good practice researched through the study. This thematic structure is followed through to the summary of key findings and recommendations in Section 8 to facilitate 'linkages' between the two.

7.2 Visibility of Public Sector Contracts

This theme is essentially centred on considerations of whether public sector tender opportunities are evident to SMEs (i.e. are they promoted through channels and media to which SMEs are connected)? In this regard, there is an important distinction to be made between visibility and accessibility which simply put is as follows:

- Visibility from the SME perspective is essentially 'Can I find the tender?'; and

- Accessibility is *'Having found the tender, are there stipulations within the tender specification that put the opportunity out of my reach?'*.

The research has highlighted that there is a specific lack of visibility for SMEs in lower value and sub-threshold opportunities. In relation to this, there are a number of models throughout the EU relating to the provision of consolidated access to lower value contracts. One such model is the GB Alert Service – www.supply2.gov.uk:

GB Alert Service www.supply2.gov.uk

This alert service is the only government sponsored national web portal that offers consolidated access to lower-value public sector contract opportunities from across the UK.

All public sector procuring departments are able to advertise their low-value opportunities on the portal. Businesses are able to register their details and search for suitable contract opportunities and create and publish their own unique supplier profile, allowing company information to be viewed and accessed by registered public sector buyers. The portal has made it easier for businesses to search for and find relevant opportunities, reducing the time taken to source them and the barriers to gaining access to public sector contracts. In addition, public sector procurers can ensure that their notices have increased visibility and are able to widen their supplier base.

The site, which is delivered by a third-party contractor appointed following a public tender, is self-funding through subscription fees. Beyond a basic level of free access to opportunities in one local area, the optional charges paid by subscribers for wider access meet the costs of ongoing development, marketing, maintenance and delivery. This self-funding business model was selected as offering the best balance between sustainability, meeting the primary objectives of the service, and delivering best value to both businesses and taxpayers. In the first two years of operation over 101,000 potential suppliers had registered with the site and over 93,000 opportunities advertised, of which over 31,000 were lower value opportunities.

Furthermore, Invest NI operates a Tender Alert Service for its clients, which includes a sub-threshold component, details of which are:

Invest NI Tenders Alert Service
Tenders Electronic Daily (TED) database is a daily on-line version of the Official Journal. Using the information on the TED database, Invest NI operates a Tenders Alert Service, which identifies local and international contract opportunities for a wide range of companies. The service is customised and tailored to individual company needs based on detailed profiles drawn up between the company and the Tender Alert Service, giving daily access to relevant public sector tender opportunities.

As a parallel component of this system, Invest NI also operates a sub-threshold Tenders Alert Service (£235 per annum), which profiles tenders which do not appear in the Official Journal. These tenders are valued between £20,000 and £93,000 for supplies and services, and below £3,611,319 for construction projects.

In Ireland, the LAQuotes system operates as both an alert system and a quotation system, allowing SMEs to have full visibility to sub-threshold public sector contracts within local authorities in Ireland and to submit quotation for opportunities of interest.

Alert and Quotation Service (Ireland) www.laquotes.ie

Local Authority (LA) Quotes is an online quotation solution that has been developed to streamline the annual quotation process and deliver benefits to both local authorities and suppliers. The solution was developed by Kerry County Council in partnership with the other participating local authorities. To date, there are 32 local authorities that are involved in the service.

The service is based around a series of online standardised forms which can be easily completed by suppliers and submitted to the relevant local authority. Suppliers can define their search criteria and the remit and scope of their services/products for individual or grouped authorities.

From a wider perspective, the research highlighted that the creation of an all-island eSourcing system could fully address the SMEs lack of visibility of all public sector opportunities. In this instance, best practice is illustrated throughout a number of European countries such as Latvia, Estonia and Lithuania where the use of a single centralised website/portal is evident. Key aspects associated with the approach in these countries is that the websites/portals:

- Are free of charge;
- Offer a daily news service;
- Are the sole medium for publishing at a national level;
- Offer the direct downloading of contract notices (and accompanying documentation); and
- In certain instances have a multi-criteria search dimension which facilitates cross-border procurement (this includes making the website available in other languages).

The research for this study captured the work that is currently being progressed in Northern Ireland by SIB (with input from CPD) in relation to the development of a Delivery Tracking System for large scale construction projects in line with the ISNI. The rationale for a system of this nature, which is due to be launched in late 2009, is to capture the status of all major capital procurements and to improve the visibility of 'pipeline' public sector tender opportunities within the construction sector. The system will allow an up-to-date assessment of the progress of Departments and public bodies in delivering major projects and programmes of investment. It will also enable inexperienced SMEs to have visibility of who is already active and facilitate the identification of potential partners to team within the market. Allied to this, the National Development Finance Agency are also undertaking preliminary work on a similar initiative in Ireland.

7.3 Accessibility of Public Sector Contracts

Accessibility primarily relates to stipulations within the tender specifications for public procurement opportunities, which can put tenders out of reach for SMEs. For instance, this may relate to stipulated criteria for financial and economic standing or the procurement route by which the tender is progressed which may preclude SMEs (e.g. because they are not on a particular framework) or prove too bureaucratic and resource intensive for SMEs.

The research suggested that SMEs have difficulty accessing certain public sector contracts as they do not have the capacity (e.g. internal resources, financial or economic standing, etc.) to tender for the entire contract. This is intrinsically linked with the premise of contract aggregation, the practice of bundling together of a number of potential smaller contracts into one large one, which can mean that the contracts are inaccessible to smaller companies.

One possibility of reducing the aggregation of contracts is by sub-dividing them into separate lots. This practice is evident in Germany, where contracting authorities are required to divide public sector contracts into lots "as far as possible" where it is value for money and cost efficient to do so. The aim of this process is to facilitate access by SMEs both quantitatively (the size of the lots may better correspond to the productive capacity of the SME) and qualitatively (the content of the lots may correspond more closely to the specialised sector of the SME).

Best Practice Contract Aggregation v Un-Bundling

In the UK, the OGC has published guidance details entailed 'Smaller Supplier…Better Value?' for procuring departments, which advises public sector bodies to size their contracts proportionately, therefore ensuring that SMEs can play a full and effective part in fulfilling government's needs. Indeed, the promotion of the sub division of contracts into lots is accompanied in Hungary and Romania by provisions of national law which specify that the selection criteria must be related and proportionate to the individual lots and not to the aggregate value of all lots.

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 would, in the given case, restrict competition, or risk to render the execution of 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.

The research also noted that stipulated levels of Professional Indemnity and company turnover are often too high for SMEs and often not proportionate to the contract value. Some notable examples of good practice are set out on the following pages.

Best Practice Financial Stipulations

According to Bulgarian law, the amount of the participation stipulation may not exceed 1 per cent of the value of the procurement contract, and the amount of the contract performance stipulation may not exceed 5 per cent of the value of the said procurement. Furthermore, the participation stipulation is released, in the case of unsuccessful candidates, within three days of the expiry of the deadline for review of the decision of the contracting authority on the qualification, and in the case of the successful candidate, within a period of three days from the expiry of the deadline for review of the award decision.

German legislation states that financial stipulations can only be required subject to certain conditions, particularly the condition that the principle of proportionality is observed. For works contracts, financial stipulations can be required for a contract with a value of €250,000, whilst for service contracts the threshold is €50,000.

In Malta, financial stipulations have been abolished for tenders below the EU thresholds. Since a large number of SMEs bid for such contracts in this country, this has been seen as an important step in reducing barriers for SMEs.

On a separate issue, the research highlighted that SMEs have a number of accessibility issues in relation to frameworks, in that it was viewed that the return benefit of framework agreements often does not justify the cost of the initial application process and that frameworks exclude competing companies for too long a period as they are infrequently renewed.

Best Practice Framework Agreements

The best practice review identified that contracting authorities need to ensure, especially by keeping selection criteria proportionate, that SMEs are not deterred from taking part. For example, in Romania, the issue of how to ensure that the process of being included into a framework agreement with several suppliers is proportionate has been addressed by way of guidance document. This published document points out that the minimum levels of ability required when awarding a framework agreement must be related and proportionate to the largest contract due to be concluded, and not the total amount of contracts planned for the entire duration of the framework agreement.

In the UK, guidance has been produced which advises contracting authorities, even if they have a framework in place, to consider how best value for money can be obtained, including the possibility of buying outside the framework agreement[37] if:

- Short-term market conditions (e.g. an unexpected decrease of the price of a certain products) mean contracting authorities could get better value; or
- Innovative goods or solutions are not represented in the existing framework agreements.

The research suggested that Pre-Qualification Questionnaire (PQQ's) often require excessive effort and are unnecessarily detailed. Allied to this, it was suggested that there was often repetition in requirements between PQQ stages and subsequent secondary competitions, which could be eliminated to reduce the overall time spent on tender completion. In this regard, there is good practice in other EU countries in terms of reducing the administrative burden for SMEs.

[37] Subject to the terms of the framework agreement in question and following a different public procurement procedure where necessary.

Best Practice Alleviating the Administrative Burden

The best practice review highlighted that in a number of member states, including the Netherlands, Belgium, Italy and Hungary, contracting authorities are not or will not in future be allowed to request tenderers to provide facts or data which the contracting authority can verify easily and free of charge in an authenticated, electronically accessible database (e.g. company data).
The aim of this process is to ensure that the administrative requirements for SMEs (who do not normally have large and specialised administrative capacitates) are kept to a minimum.

7.4 SME Capability

This theme relates to the concept of the 'bid-readiness' of SMEs, in effect assuming that the contracts are visible to SMEs and that they are accessible to them. The next stage is whether the SMEs have the skills to compete for and win the tender. The research has highlighted that inexperienced SMEs often lack the knowledge /understanding of how to approach to the market and give this as a reason for not tendering to the public sector.

Best Practice SME Capability

The best practice review highlighted that in France, a detailed practical guide has been published for SMEs on how they can better exploit the possibilities offered by the public procurement market. It provides guidance for SMEs on how they can access information on business opportunities, how to familiarise themselves with the relevant regulatory framework, how to understand the real needs of contracting authorities on the basis of the published tenders documents, how to evaluate whether they have the capacity to actually execute the contract and how they adopt a strategy for bidding.

The research suggests that in the past SMEs failed more on compliance issues, whereas in recent years levels of compliance have improved substantially and SMEs fail, more on 'a failure to answer the exam question'- in effect writing the tender to meet buyer requirements.

Indeed, the research highlights that current programmes on the island of Ireland, such as the Go-2-Tender programme, have been instrumental in this process and can be used as an exemplar model of support for SMEs as they strive to become 'bid ready'.

The best practice review highlighted that central Government, regional bodies and local authorities have been offering and delivering training to both procurers and SMEs for several years and there are a number of examples of best practice in this field, a notable example of which has been detailed below:

Best Practice SME Capability

The best practice review highlighted that the UK developed an SME training programme, which was delivered to circa 3,000 SMEs and 820 contracting authorities regionally in 2005 2006. The aim of this training was to give SMEs the knowledge required to tender for public contracts, and to raise awareness of contracting authorities to the barriers faced by SMEs. Following the success of this training delivered by Learn Direct Business, the UK developed an online course for SMEs called "Winning the Contract", which gives practical advice to help businesses find out about public sector opportunities and provides a step by step guide to the bidding process.

7.5 Consistency of the Market

As previously noted, while the Terms of Reference for this study are mainly centred on the capacity and competitiveness of SMEs, it was clear that as much attention potentially needs to be focused on developing buyer capability within the island of Ireland. This is particularly because variable buyer practices within and across the two jurisdictions, can mean that SMEs do not have a consistent view of how the market operates, which in turn increases the lead-in time for them to become more active and successful in winning public procurement contracts. Within this theme, there are a number of instances of good practice detailed below. Furthermore it was widely acknowledged in the research that there are significant opportunities for Ireland to learn from both NI and GB, which are perceived to be more advanced. This learning process has already begun to happen, as detailed in Section 2 of this report.

Similar to NI, other EU countries have dedicated centralised agencies or departments with a specific responsibility for public sector procurement. Some notable examples are detailed below:

Best Practice Consistency of the Market

In Austria, the central purchasing body has established a "procurement competence centre" which provides help for contracting authorities in drawing up their tenders. This centre also pools experience in dealing with SMEs.

In the Netherlands, the Ministry of Economic Affairs set up a dedicated agency, PianoO, which is trying to help public authorities become more 'professional' in their procurement. The agency operates a website providing useful and up-to-date information on public procurement legislation and practice, facilitates the exchange of best practices between contracting authorities and organises seminars for procuring authorities on a regular basis.

This study has highlighted good practice that is internal to the island of Ireland, which is evidenced through the endorsement by NPPPU, of the DCU Business School Graduate Diploma /Masters Programme in Strategic Procurement. This qualification is the first of its kind in Ireland and its aims to build the capacity[38] for strategic thinking in procurement and meet the changing skills requirements for professionals either engaged in or working closely with the procurement function.

7.6 Pre-Commercial Dialogue and Innovation

A fundamental issue raised through the research was the need to distinguish between procurement and tendering, where the former also encompasses the identification of the public sector 'need' and associated market sounding in advance of the commencement of the competition. It was acknowledged that this pre-commercial stage provided most scope for innovation and fit with buyer needs. Accordingly, the research emphasised the need for more structured mechanisms to facilitate a transparent process of engagement between buyers and SMEs at this pre-tender/pre-commercial stage. Notable examples of good practice are set out below.

Best Practice Pre-Commercial Dialogue

The Glover Report[39] outlines that SMEs would value more face-to-face contact with procurers to develop relationships and learn about upcoming opportunities. To ensure effective engagement between procurers, prime contractors and other businesses, it was stated that the public sector should follow existing OGC guidance "Early Market Engagement" and deploy good practice such as Meet the Buyer days to ensure engagement with SMEs and other potential suppliers.

A French programme (entitled "Met") provides a half day presentation course where circa 20 SMEs present their innovative products or

[38] The specific objectives of the programme are to introduce the student to leading-edge thinking in the area of procurement with a view to adapting it to make it appropriate to the business and organizational contexts in which they operate and to develop students that are more strategy oriented and less operationally oriented.

[39] Accelerating the SME Economic Engine: throughout transparent, simple and strategic procurement (November 2008).

solutions to contracting authorities in a given technological field. The aim of this programme is to ensure a better flow of information between contracting authorities and innovative SMEs, in order to provide contracting authorities with the most suitable solutions to satisfy their needs.

The research also highlighted the need for public procurement to provide 'lead markets' for new technologies and an example of good practice is the Netherlands, which is set out below:

Best Practice Public Procurement Versus Innovative Solutions

Matrix, the Northern Ireland Science Industry Panel, (a business led expert panel), was formed to advise the DETI on how Northern Ireland's R&D and science and technology strengths can be used to better commercial success. Matrix was appointed to undertake a procurement study with the aim to review government policy and investigate the use of public procurement to encourage SMEs to increase their levels of R&D and science and technology innovation. An initial scoping exercise of existing UK Policy suggested that existing programmes could be used much more effectively by techniques such as whole life costing and outcome based specifications. A case study in the Netherlands was identified for pre-commercial engagement aimed specifically at SMEs. This model has a three phased approach:

Phase 1 Feasibility Study for multiple candidates (4-6)

6-7 months in duration
€20,000 €50,000 per study
100 per cent financing

Phase 2 Research and Development project (up to prototype)

Only accessible for companies that were successful in Phase 1
2-2.5 years in duration
€200,000 €450,000 per project
100 per cent financing

Phase 3 Commercialisation

will be procured separately
will be open to all interested parties

It was suggested that winning projects associated with this model are orientated towards strategic cooperation, with almost half of the projects in cooperation with research institutes and particularly cooperation with other SMEs. Furthermore, it was noted that participating companies were small and young with 83 per cent of all incoming proposals being from small companies (with a maximum of 50 employees), whilst all winners were small companies (with a maximum of 100 employees).

Matrix noted that the best opportunities for Government to stimulate economic return from a science and technology base are to use pre-commercial procurement to de-risk innovative ideas and make them 'procurement ready'. This could be developed using the case study from the Netherlands.

7.7 Level of Joint Working Amongst Suppliers

The research with SMEs and buyers showed limited evidence of SMEs active in joint working arrangements to access public procurement opportunities (whether it is in a prime/subcontract relationship, a partnership or a joint venture). It was also evident through the SME research that the contract values won by the SMEs interviewed were in the main fairly small, with 50 per cent of the SMEs interviewed stating that that when applying for (and winning) contracts it was in the €0-€60k bracket. Accordingly, joint-working could provide critical mass in capacity terms to access larger value tender opportunities.

Within each jurisdiction there has been investment in activity to encourage supply chains and partnering for public procurement contracts. For instance, Invest NI operates the Supplier Model, which is based on the premise of identifying potential opportunities for local companies to supply services/goods to specific construction projects. In addition, Enterprise Ireland is currently developing interventions aimed at brokering relationships between indigenous Irish ICT SMEs along with involvement of some multinational ICT companies.

The key issue is that joint working is not happening extensively on a cross-border basis, which is a market failure given that joint working may be an 'easier' route for SMEs to access opportunities in the 'other jurisdiction'.

Throughout the EU, there are a number of instances of best practice which specifically relate to this theme, which are outlined below:

Best Practice Joint Working Amongst Suppliers

SMEs may benefit from the advice and support of the easily accessible members of the Enterprise Europe Network (EEN) located in member states. Launched in 2008, the EEN offers support and advice to businesses across Europe and helps them make the most of the opportunities in the EU. It provides information on EU legislation, helps find business partners, offers possibilities to participate in innovation networks and provides information on funding opportunities.

Furthermore, the UK advises contracting authorities to make sub-contracting opportunities more visible to SMEs. Contracting authorities are encouraged to ensure there is visibility of the supply chain by taking a number of measures such as:

- Publishing, on the contracting authority's website, the names of companies acting as prime contractors in a procurement and details of awarded and upcoming contracts; and

- Where appropriate, contracting authorities are encouraged to ask their main suppliers to demonstrate their track record in achieving value for money through the effective use of their supply chain, including how SMEs can gain access to their contracting opportunities.

This review highlighted a notable example of good practice in this regard:

Best Practice CompeteFor

CompeteFor has been set up by the Olympic Delivery Authority, the Regional Development Agencies and devolved administrations, to advertise the contracting opportunities arising through the London 2012 Olympics supply chain.

The portal encourages suppliers to open up their sub contracting opportunities posting all available contracts throughout the supply chain on CompeteFor. All tier one suppliers are asked to advertise all new sub-contracting opportunities on the site offering buyers and prime contractors a simple way of engaging with suppliers that they would otherwise struggle to access. Once a supplier fills in an online profile, it can apply for any appropriate opportunity, whether as a prime contractor or a sub-contractor.

As of 25th June 2008, over 20,000 suppliers were registered on CompeteFor. The Olympic Delivery Authority anticipates that 10,000 London 2012 opportunities will be available on the site at all levels in the supply chain.

The research suggests that to date there has been limited evidence in terms of encouraging the development of joint working amongst suppliers through the CompeteFor portal. This could suggest that there is need for further interventions to broker relationships amongst suppliers and break down barriers to joint working (see Section 8).

Finally, the best practice review noted that contracting authorities, subject to national legislation, could include a provision in the contracts stating that main contractors must not deal with their subcontractors on less favourable terms than those agreed between the contracting authority and the main contractor.

Best Practice Joint Working Amongst Suppliers

This is particularly evident in Germany, where the contracting authority has to stipulate, in the documentation, that the successful tenderer may not impose less favourable conditions on its subcontractors than the conditions agreed on between it and the contracting authority, especially as far as payment arrangements are concerned.

8 Summary of Key Findings & Recommendations

8.1 Introduction

This section aims to consolidate the key findings from the previous sections in summary format and identify indicative recommendations. This is primarily done on a thematic basis to facilitate links to some of the good practice set out in Section 7.

It is important to highlight that the study has identified recommendations and actions that will be required in a single jurisdiction context to maximise the opportunity for cross-border procurement (and SME access to the same). In effect, these are critical to creating a positive and reinforcing environment for the implementation of the cross-border recommendations. Furthermore, they could form some of the focus of debate within the all-island practitioner group suggested as one of the recommendations below. However, given the primary requirement in this study to highlight mutually co-operative actions that will have a cross-border impact, the single jurisdiction recommendations have been separated out and included in Appendix 8 for reference.

Before progressing into the six themes it is important to highlight at an overall level that the public procurement market presents a significant opportunity for SMEs with scope for new entrants, particularly on a cross-border basis, where the research for this report has demonstrated a number of ongoing market failures. The research has also confirmed increased need for cross-border co-operation between buyers to enhance the effectiveness of public service delivery and create the potential for associated cost savings.

8.2 Visibility of Public Procurement Contracts

The research highlighted a number of key findings in relation to the visibility of public procurement opportunities for SMEs which can be summarised as follows:-

- there is a specific lack of visibility for SMEs in lower value and sub-threshold contracts, within their own jurisdiction and on a cross-border basis;
- the visibility of public procurement tenders in Ireland to Northern Ireland SMEs is much better than visibility of Northern Ireland public procurement tenders to SMEs from Ireland; and
- the cross-border interest in using websites to access tender opportunities is largely dominated by North to South flow.

As a consequence of some of the above, there is a stronger North to South flow of SMEs actively pursuing and winning tenders in Ireland, than the reverse (i.e. South to North). A key influencing factor in this regard may be that until recent times, the buoyancy of the market in Ireland may have meant that SMEs from Ireland did not have to look outside their own jurisdiction for contracts. Therefore, they may not have made the effort to become connected/registered with the key Northern Ireland public procurement organisations. It may also be related to the fact that Northern Ireland is a much smaller market (with a fraction of the public procurement expenditure of Ireland) and that SMEs therein have to look outside their own jurisdiction more often to gain sufficient critical mass in terms of public sector tendering activity.

Some of the recommendations that apply to this theme in response to the issues identified above are 'single jurisdiction' in nature and are therefore included for reference in Appendix 8. Cross-border recommendations are highlighted in Table 8.1:

Table 8.1 Cross-Border Recommendations - Visibility

1	Consideration should be given to the implementation of a promotional campaign, perhaps through the relevant trade bodies, to encourage registration of SMEs from Ireland with the CPD eSourcing system.
2	The feasibility of a single 'all-island' system for consolidated access to lower-value public sector contracts should be explored, where the www.laquotes.ie model is viewed as a potential starting point. Clearly, this would require engagement and debate with the evolving local government procurement group in Northern Ireland and the host local authority in Ireland (Kerry County Council). This should explore, whether it is desirable, that this could be linked to eTenders and the CPD website/eSourcing system, to facilitate maximum coverage.
3	There should be encouragement to all NI buyers to advertise open tenders on the eTenders system. It is understood that the practice is variable at this point in time. This would improve the visibility of public procurement opportunities in Northern Ireland for SMEs from Ireland, given that the 'traffic' in terms of South to North tendering is very limited.
4	The research has highlighted that there are shortcomings in the availability of centralised management information (e.g. with respect to tenders awarded by value, size of company and jurisdiction), although it is relatively better within Northern Ireland (e.g. the CPD Goods and Services arena) than in Ireland. In the longer term, the development of a centralised eSourcing system in Ireland is a potential solution to this, which could arise through the progressive centralisation of activity that will happen through the proposed creation of a NOU in the OPW. In this regard, it was suggested that a medium-term recommendation arising from this study, could be the creation of an 'all-island' eSourcing system with common supplier registration database (perhaps based on extension of the CPD eSourcing system). A compromise position could be for the system in Ireland to have similar design specification, to aid commonality of reporting on a North/South basis. However, in a tighter budgetary environment there may be merit in considering the economies of scale that could be achieved through an 'all-island' approach. The creation of the NOU provides a 'window of opportunity' to consider this concept in the short-term. Any legislative obstacles to this should be explored based on the fact that aspects of the EU procurement directives are transposed differently in Northern Ireland relative to Ireland.

8.3 Accessibility of Public Procurement Contracts

The research has highlighted a number of key findings in relation to the accessibility of public procurement opportunities for SMEs which can be summarised as follows:-

- there is a perception that stipulated levels of Professional Indemnity and Company Turnover are often too high for SMEs and often not proportionate to the contract value;
- the process to respond to public procurement contracts is often too bureaucratic and resource intensive for SMEs – with issues cited being perceived repetition between tender stages (that is PQQ and secondary competitions) and limited standardisation of qualification criteria (that are not specific to a sector) within PQQs across buyers, creating unnecessary duplication of effort between tenders;
- the return benefit of framework agreements is often not perceived to justify the cost of the initial submission process. In addition, it was viewed that frameworks can exclude competing companies for too long a period as they are infrequently renewed; and
- although the aggregation of contracts can create savings and efficiencies, the practice can inadvertently preclude SMEs because they do not have the critical mass for larger contracts. It was also suggested that contract aggregation can have a negative impact on competition because the 'bundling' process means that there are less contracts to be won.

Most of the recommendations that apply to this theme in response to the issues identified above are 'single jurisdiction' in nature and are therefore included for reference in Appendix 8. One cross-border recommendation is:

Table 8.2 Cross-Border Recommendations - Accessibility

5	As SMEs have cited the lack of resource (i.e. person power) as a barrier, it is recommended that InterTradeIreland could consider the provision of an experienced resource to assist inexperienced SMEs in submitting cross-border tenders. Such an approach could include dedicated time (some three-five days) of an external resource with the experience to assist the company rather than actually complete the tender. Practically, this could involve a call-off mentoring framework of suitable mentors, which would require flexible delivery at short notice. Such an intervention would be weighted towards developing expertise in the company given that the onus should be on developing SMEs that are 'bid-ready'. This recommendation could be incorporated within the concept of the Trade Accelerator Voucher being developed by InterTradeIreland.

8.4 SME Capability

The main findings from the research on SME capability can be summarised as follows:

- inexperienced companies cited a lack of knowledge/understanding of how to approach the market as a reason for not tendering, either in their own jurisdiction or on a cross-border basis;

- the majority of active SMEs (77 per cent) surveyed anticipated the public procurement market would become more important to them in the future, suggesting the need to increase the capability to engage with the same;

- buyers reported that a large number of SMEs do not avail of the debrief process available after each tender competition, which was viewed critical to enhancing capability on an ongoing basis; and

- in the past SMEs failed more on compliance issues, in recent years the levels of compliance have improved substantially and SMEs are perceived to fail, more on 'a *failure to answer the exam question'*. Furthermore, the evidence from the case studies suggests that good tender documents written with the buyer in mind, that answer the actual queries raised in the ITT in the structure provided contribute to success. Within this in-house competence to research, segment, communicate with and sell to a chosen market are important success factors. All of the above suggests a need for additional capability support for 'intelligent' tender writing particularly for cross-border tenders, where the level of understanding of buyer needs may be more limited.

Cross-border recommendations relating to this theme are highlighted in Table 8.3.

Table 8.3 Cross Border Recommendations – SME Capability

6	In the short term, efforts should be made by InterTradeIreland to weight participation in Go-2-Tender from Ireland relative to Northern Ireland. This could help to increase 'traffic' in the public procurement market from South to North.
7	InterTradeIreland could consider building on the Go-2-Tender programme with more intensive/advanced follow up support intervention – particularly in terms of support for 'intelligent tender writing' and research/capability support to assist SMEs to develop a strategic approach to targeting their products/services to buyers in the other jurisdiction.
8	Some of the local authorities interviewed in Ireland for the study suggested hosting regional 'roadshows' for SMEs involving groups of local authorities, with the view that they would go through a mock case study of a tender process complete with sample winning tender submission. Given the potential that the local authority market offers for SMEs this could be worth pursuing. The local authority programmes that are offered tend to be specific to each Council, and a more collaborative approach could facilitate SMEs who are successful with their local Council to replicate the approach elsewhere, including on a cross-border basis. There could therefore be a role for InterTradeIreland to facilitate a version of Go-2-Tender that was local authority specific, involving participation from Local Authority representatives on an all island basis as speakers. The programme should target those who are already successful in their own jurisdiction in tendering to local councils.
9	Sustainable Development is an evaluation criterion that is going to become more common through public procurement. A structured approach is required to increase SMEs knowledge of how they can use this criterion to compete - as well as increasing economic, social and environmental innovation within the public procurement process. This could take the form of follow-up/supplementary training to the Go-2-Tender programme and would enable SMEs to enter new cross-border markets on a key competitive offering (e.g. particularly in the construction sector). More broadly, better understanding of the concept (amongst buyers and SMEs) could encourage more indigenous supply on the island of Ireland.

8.5 Consistency of the Public Procurement Market

The key findings for this theme can be summarised as follows:

- the recent changes to the use of experience criteria within public procurement tenders in Northern Ireland (based on a prequalification stage for experience and scoring on methodology and cost thereafter) which was implemented to benefit SMEs is not consistently applied across the public sector in Northern Ireland (e.g. local government) or on a cross-border basis;

- the practice of debriefs with unsuccessful suppliers was reported to be variable, and it was viewed regulated debriefs consistent with Codes of Practice would be very beneficial;

- buyers do not consistently issue Prior Information Notices (PINs) for impending tender competitions above specified thresholds. As set out previously, these would assist SMEs in planning ahead and would facilitate early engagement with buyers at the pre-tender stage to enable innovation. Similarly, after the tender competition contract award notices are not consistently published by buyers (as per the requirement of within 48 days of contract award). This minimises the visibility for SMEs of who is regularly successful in winning tenders (and therefore a potential target for partnering in future competitions);

- there is uncertainty in relation to the size of the public procurement market arising from rapidly changing budget pressures making the market more difficult for SMEs to understand and access; and

- there is currently a 'mismatch' in the availability of centralised management information (e.g. with respect to tenders awarded by value, size of company and jurisdiction), between North and South. In turn, this means that it is difficult to establish any baseline at an 'all-island' level about SME penetration within the public procurement market. It is relatively better within Northern Ireland (e.g. the CPD Goods and Services arena) than in Ireland, although the creation of the NOU in OPW should bring increased potential for greater levels of centralised management information in due course.

This theme includes a portfolio of recommendations about North/South sharing in terms of procurement practice to promote greater levels of consistency. It was widely acknowledged within the research that there is a significant opportunity for Ireland to learn from both Northern Ireland and GB, which are relatively more advanced. As set out in Section 3, there has already been a very positive process of North /South policy exchange between CPD and the DoF, with respect to the proposed creation of the NOU in Ireland.

Cross-border recommendations are highlighted in Table 8.4.

Table 8.4 Cross Border Recommendations – Consistency of Public Procurement Market

10	Establishment of an all-island senior practitioner network to pool knowledge and best practice in public procurement. This could draw for instance on membership from the Public Procurement Practitioners Group (PPPG) in Northern Ireland. and similar bodies in Ireland (e.g. the GCCC) pertaining to capital projects only, and should potentially have a local authority dimension. The suggestion was that it should meet quarterly.
11	The Procurement Exchange Programme, developed as a concept in Northern Ireland to facilitate secondments, mentoring, work-shadowing between CoPEs could be piloted on a cross-border basis, to act as a mechanism to expedite the development of more consistent procurement practice amongst buyers on an all-island basis.

8.6 Pre-Commercial Dialogue Between Buyer and Supplier

The key findings in this theme based on the research include:

- SMEs were often reluctant to make the initial contact with buyers, in effect because they view there are no 'rules' for engagement at the pre-tender stage. This led to a perceived need for more transparent and structured processes for SME-Buyer interaction at this stage to enable solutions to be developed and discussed. It was anticipated by buyers that this should follow through to greater levels of innovation in tender development from SMEs;

- by providing lead markets for new technologies, public authorities can give companies the incentive to invest in research in the knowledge that an informed customer is waiting for the resulting competitive innovations;

- the various case studies included in this report illustrate that proactively approaching the market, using methods such as trade shows and meet the buyer events to promote products/ services to buyers contributes to success. Allied to this, dealing with a number of different departments in the buying process and identifying the right person in each contributes to success;

- lack of accessibility to buyers at the pre-tender stage was perceived to contribute to the incumbent provider continuing in contract; and

- SMEs active in the public procurement market cited lack of opportunities to build relationships with public sector buyers as a key barrier preventing them from tendering more to the public sector.

  Cross border recommendations are highlighted in Table 8.5.

Table 8.5 Cross Border Recommendations – Pre-Commercial Dialogue

12	Consideration could be given to piloting a procurement process of staged tendering – allowing for an innovation phase in which SMEs on an 'all-island' basis can participate. This would be suitable for application within the science, technology and R&D fields and could be similar in nature to the good practice example cited within the Netherlands in Section 7, which is currently being considered for application in Northern Ireland (by DETI).
13	Consolidate and develop the current approach to events in which the buyer meets the suppliers (e.g. particularly Network and Getwork). This would involve an increase in buyer/supplier participation as well as ensuring concerns of both parties with regards to such events (outlined in the report and supporting appendices) are addressed. It is recommended that buyers could demonstrate their commitment to cross-border procurement by travelling to the opposite jurisdiction for events (e.g. sectoral Network and Getwork events) rather than reliance on a large group of SMEs travelling to the opposite jurisdiction. This would potentially result in a higher level of exposure of SMEs to buyers on a cross-border basis. It is understood that this is being actively considered by InterTradeIreland and the two Chambers of Commerce at this point in time. Consideration could also be given to broadening the scope of cross-border events to include a format (as per the French model 'Met' set out in Section 7) which enables a group of SMEs to present their innovative products or solutions to contracting authorities in a given technological field. This could involve approaching SMEs participating in programmes such as Innova, Seedcorn, Enterprise Innovation Networks (EI) or Innovation Vouchers to attend such events.

8.7 Level of Joint Working amongst Suppliers

The research has highlighted a number of key findings in relation to the level of joint working amongst suppliers which can be summarised as follows:

- the sole tender route was the most typical route assumed by the SMEs in progressing in public procurement opportunities in both jurisdictions and on a cross-border basis;

- smart joint ventures provide a noticeable competitive advantage, as well as increasing the number of tender opportunities;

- intervention and support for development of supply chain and partnering arrangements to access public procurement contracts needs to be much more accessible on a cross-border basis;

- legal concerns can discourage joint ventures amongst SMEs, and therefore any support to broker joint working would need to encompass advice in this regard;

- SMEs can find it difficult to find appropriate partners for joint bids/tender opportunities, particularly on a cross-border basis; and

- it is perceived that there is limited involvement from Trade Bodies to support or develop relationships between suppliers to access public procurement contracts.

It was also evident through the SME research that the contract values won by the SMEs interviewed were in the main fairly small, with 50 per cent of the SMEs interviewed stating that that when applying for (and winning) contracts it was in the €0-€60k bracket. Accordingly, joint-working could provide critical mass in capacity terms for SMEs to access larger value tender opportunities.

Cross-border recommendations are highlighted in Table 8.6.

Table 8.6 Cross Border Recommendations – Joint Working

14	The eTenders system currently records details of all parties who register an interest in a particular tender. The research detected interest on behalf of SMEs for the names of such parties to be disclosed (where they are willing) so that they could be contacted with a view to preparing joint bids and/or subcontracting arrangements. One possible solution to this might be to have a tick box whereby suppliers registering interest in a particular tender on eTenders could indicate whether they agree to have their details released to other parties for the purpose of preparing joint bids. This would be cross-border in nature given the high level of engagement of NI suppliers with eTenders.
15	The research into the competitiveness of SMEs in accessing public sector contracts has clearly indicated that lack of critical mass/size is one of the significant barriers to SMEs consistently and successfully securing public sector contracts. This has already been recognised in the construction sector. The Supplier Model is a ‘supply chain’ model that provides capability support to SMEs in the construction sector – to potentially gain access to work packages as part of larger construction projects – it’s success is based on the specific ‘sequential’ nature of the construction tendering process, where lead contractors are appointed initially, and then components of the overall contract are tendered to sub-contractors, and in turn sub-contractors may further sub-contract smaller work packages to other companies. However, at this point in time it is not available on a cross-border basis and there could be scope to consider re-introducing it as a cross-border programme - offering support to SMEs either side of the border to potentially access work within large construction projects on the island of Ireland.
16	It is suggested that a different approach to facilitating joint working may be required in sectors other than construction. The rationale for this is set out in more detail in Appendix 7. Accordingly, consideration could be given to providing SMEs on the island of Ireland with support in relation to the formation of joint ventures /consortia for public sector tendering. It is recommended that this support could consist of a combination of: Workshops – designed to change the mindsets of many Irish companies in relation to the formation of joint ventures /consortia. Mentoring – to provide companies with the practical assistance required to take SMEs through the steps involved in researching, identifying and establishing joint venture partnerships. The support (workshops and mentoring) to be provided needs to address the following issues: • The cultural and commercial challenges (and advantages) of establishing joint ventures/consortia; • Establishing clear criteria for the screening and selection of joint venture /consortia partners; • Understanding how to go about researching and identifying potential joint venture partners; • Understanding the different forms of joint venture partnership – the pros, cons, and practical steps involved in establishing and operating them; • Legal advice/ input on the various forms of joint venture partnerships; • Good practice in relation to joint venture /consortia agreements; and • Best practice in relation to sustaining joint ventures – and making them work for the participant businesses. SMEs could effectively use any consortia developed to tender for specific public sector opportunities (that they would not otherwise be able to secure), to develop new skills and capabilities, to enter new market sectors, and to grow their businesses. In time, this approach could enable SMEs to develop the critical mass to target larger public sector opportunities on their own, or indeed to develop further larger joint venture partnerships/consortia. This approach, which would be, could be piloted on a cross-border basis. A programme based on the above could be piloted by InterTradeIreland centred on one or two public procurement areas which could lend themselves to joint working/ networking (e.g. facilities management and ICT contracts).

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