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Small and Medium-Sized Enterprises on the Public Procurement Market in Poland

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Abstract: Small and medium-sized enterprises are believed to be a key driving force of economic vitality, innovation and new job creation. For a few years the European Union has been monitoring SME performance and the quality of public procurement procedures to make access of SMEs to the public procurement market easier and provide for their greater participation in this market. These activities have their origin in the assumption that having in mind the size of the public procurement market and public resources involved, suitable shaping of this area may improve effectiveness of selected policies at the EU level and in particular member countries. The directives concerning public procurement should ensure opening the market of public procurement for all enterprises irrespectively of their size. Recently the public procurement market in Poland has been continuously growing which doubtlessly resulted from Poland's accession to the European Union. The aim of this paper is to give evidence of SME position on the public procurement market and to attempt to answer two basic research questions. Firstly, is the market potential fully used as far as applying for awarding public contracts by SMEs is concerned? And secondly, what are the main obstacles determining the access of SMEs to the public procurement market? This is done by reference to available statistical data and two studies that were carried out by the author.

Introduction

Small and medium-sized enterprises (SMEs) represent more than 99% of all enterprises in Poland and in Europe creating a substantial portion of GDP (60% in the EU and 48% in Poland). In a discussion about functioning of the public procurement market special attention should be paid to the problem of access of small and medium-sized enterprises to this market, which are as a rule considered the main part of every economy. In order to take advantage of their potential for creating new jobs, growth and innovation SME access to the market of public procurement should be made easier. The directives concerning public procurement ensure opening the market of public procurement for all enterprises irrespectively of their size. In 2006 the value of public procurement market in the European Union's (EU) member countries was assessed at about 1 800 billion euro which corresponds to 16% of the EU's GDP[1]. Recently the public procurement market in Poland has been continuously growing which doubtlessly resulted from Poland's accession to the European Union.

The paper presents the results of two studies that were carried out by the author in 2008 in which two basic research questions were posed: (1) Is the market potential fully used as far as applying for awarding public contracts by SMEs is concerned? and (2) What are the main obstacles determining the access of SMEs to the public procurement market? The first study that gathered replies from 629 enterprises was conducted in the electronic way based on the electronic questionnaire tool and was addressed to enterprises by e-mail, whereas the second one was based on the representative sample of 802 Polish small and medium-sized enterprises and used the CATI (Computer Assisted Telephone Interview) method.

The public procurement regulations in the EU and in Poland

The directives concerning public procurement ensure opening the market of public procurement for all enterprises irrespective of their size. The key directives regulating the market of public procurement include:

– The 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 services.
– The directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on coordination of contract award procedures for construction, supplies and services.
– The directive 2007/66/EC of the European Parliament and of the Council of 11 December 2007 changing the directives of the Council 89/665/EEC 92/13/EEC on improvement of effectiveness of appeal procedures in the field of contract award of public procurement.

[1] These estimates were made on the basis of data from national accounts provided to Eurostat by national statistical offices and data from annual reports and other sources presenting data on the public sector.

The aim of the public procurement directives is (1) to ensure the application of basic principles, (2) free movement of people, goods and capital, (3) freedom of establishment and providing services, (4) non-discrimination on grounds of nationality, and (5) equality of treatment.

In Poland, the rules on public procurement are specified in the Act of 29 January 2004 – Public Procurement Law (with several amendments introduced afterwards) whose main aim was to adjust the Polish procurement provisions to the EU requirements. The Public Procurement Law applies to the contracts and contests if their value exceeds the equivalent of 14 000 euro in Polish zloty. It is an obligation of awarding entities to prepare and conduct award procedures in a manner ensuring fair competition and equal treatment of economic entities.

In case of contracts below the EU threshold contracts may be awarded by means of open and restricted tendering, by negotiated procedure with publication, request for quotation or electronic bidding.

The public procurement market in Poland

Recently the public procurement market in Poland has been continuously growing which doubtlessly resulted from Poland's accession to the European Union in 2004[2]. The value of awarded contracts for public procurement accounted for over 126.7 billion PLN in 2009, which continues a clear upward tendency (figure 1). The value of the public procurement market represented ca. 9.4% of GDP in 2009.

Above 68% of contracts were awarded in the course of procedures conducted by open tendering. In nearly 26% of procedures single-source procurement was applied, and in the course of request for quotation a bit more than 4% of contracts were awarded. The Public Procurement Bulletin published 353,323 notices, including 149,023 notices concerning starting procedures of awarding public procurement or design contest and 177,694 notices of awarding contracts or design contest results.

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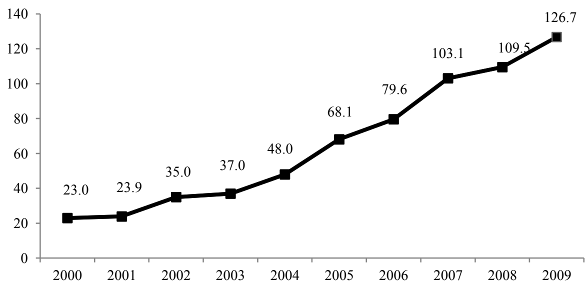
[2] The main sources of information about the size of public procurement market are reports delivered to the President of Public Procurement Office by awarding entities.

Figure 1. Value of awarded public procurement in Poland 2000–2009 (in billion PLN)



Source: own elaboration based on reports on functioning of the public procurement system in 2000–2009, Public Procurement Office, Warsaw 2001–2010.

Public contracts awarded in Poland in the years 2005–2009

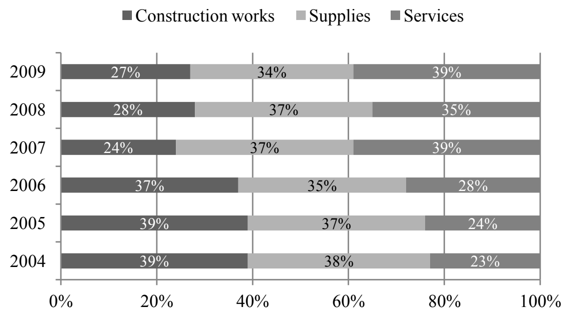
In the Official Journal of the European Union Polish awarding entities published 14,248 tendering and design contest notices which represented 9% of all tenders published at the EU level and 47% of all tendering published by the new Member States. As results from the notices published in the Official Journal of the European Union, more than 97% of contracts on the Polish market were awarded to domestic operators (see UZP 2009, p. 6).

As results from the data included in the reports on the awarded contracts in 2009 there were 13,012 of awarding entities on the basis of procedures defined in the Act of Public Procurement and this shows a slight increase since 2004 (see UZP 2009, p. 20). The analysis of the quantitative structure permits to state that there is no clear trend and the dominating position every year is taken by a different kind of contracts, respectively in the years 2004–2006 construction works slightly prevailed over supplies, whereas in 2007 the dominant position was taken by services and in 2008 by supplies (figure 2).

The data from the annual reports on awarded public procurement presented in the figure 3 show that there are clear differences between quantitative structure and the value of awarded contracts according to the type of contract. As far as the value of contracts is concerned, between 2004 and 2009 construction works dominate, the only exception is 2005 when supplies (42%) represented the highest value of the realized contracts.

In 2009 construction works dominated public procurement in terms of the value of funds. The value represented 48% of the total amount of awarded contracts (in 2008 – 47% and in 2007 – 51%). In spite of high percentage in value terms, the number of procedures for constructive works in 2009 represented only 27% of contracts (in 2008 – 28% and in 2007 – 24%).

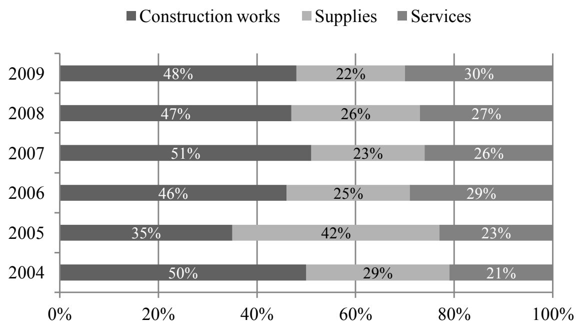
Figure 2. Quantitative structure of awarded contracts according to the type of contract



Source: own elaboration based on reports on functioning of the public procurement system in 2005–2009, Public Procurement Office, Warsaw 2005–2010.

Contracts for supplies in 2009 represented 22% of the value of funds and 34% of the total number of awarded contracts (in 2008 26% and 37% respectively), while contracts of services represented 30% of the total value of awarded contracts and 39% of the number of awarded contracts (in 2008 27% and 35% respectively) (see UZP 2010, p. 21; UZP 2008, p. 58).

Figure 3. Value of contracts according to the type of contract



Source: own elaboration based on reports on public procurement functioning in the period of 2005–2009, Public Procurement Office, Warsaw, 2006–2010.

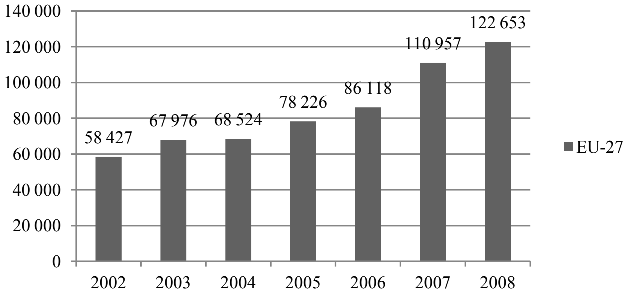
It is difficult to assess the competitiveness on the public procurement market in a longer perspective, and this is because an amendment to the Public Procurement Law that entered into force in 2007 which altered thresholds requiring publication in the Bulletin[3]. However, as results from the comparison of 2007, 2008 and 2009 the number of offers per one procedure was increasing from 2.29 offers in 2007 to 2.41 in 2008 and reached the level of 2.77 in 2009 (see UZP 2010, p. 27). The majority of offers were for construction works (on the average 4.16 per one procedure), the fewest offers were for services (2.29 offers).

In 2009 in 90% of cases price was the only contract award criterion whereas in 2008 in case of 89% of proceedings price was the only criterion of evaluating an offer. This indicator is alarmingly growing – in 2007 this criterion was selected by 87% of awarding entities, while in 2006 – 64%. At the same time, the number of criteria per one procedure was growing – from 2.24 criteria in 2006 to 2.69 criteria in 2008. Quite significant increase was observed in 2009 when it reached the average of 3.76 criteria per one procedure.

Participation of Polish firms in the European public procurement market

As the results of the GHK study show (GHK 2010), an upward trend in the number of contract award notices published by European Union's member countries on Tenders Electronic Daily (TED) continued since 2002 and reached the level of 122,653 in 2008 (figure 4). This positive trend was marked with a relatively steep increase taking place in 2007–2008 (a yearly average increase of 21% compared to an average yearly growth of 12% between 2002 and 2006).

Figure 4. Number of contract award notices published on TED

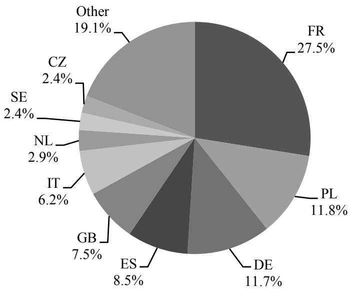


Source: own elaboration based on GHK (2010, p. 8).

[3] Since 2007 it is an obligation to publish notices above 14 000 euro while in the preceding years the threshold was 60 000 euro.

As shown in figure 5, the largest portion of contracts award notices between 2006 and 2008 was published in France (27.5%). Since 2005 Poland held the second place among the EU-27 in the ranking with 11.8% of contract award notices. Three leading countries (apart from France, Poland and Germany) issued 51% of all contract award notices in this period. These figures are a reflection of the countries' economic potential, the institutional framework of the given country (for example, in Germany public procurement is largely decentralized to regions and municipalities which makes it smaller and not exceeding the EU thresholds above which EU-wide publication is mandatory) and tender fragmentation into smaller lots (this is the case of Poland and France).

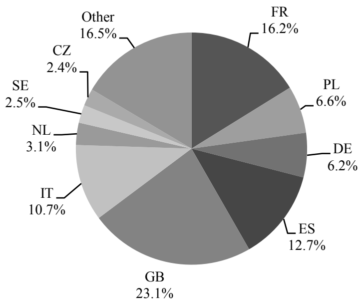
Figure 5. EU Member States' share of contracts awarded by number (total for 2006–2008)



Source: GHK (2010, p. 9).

The total value of tenders published on TED for the three-year period between 2006 and 2008 was estimated to an amount of ca. 1,137 billion euro. The geographical distribution of contract award notices by their value differs largely from that made by number. Nearly one fourth of the cumulative value of tenders is issued in Great Britain. From this perspective Poland ranks fifth across EU-27 with a 6.6% share (figure 6).

Figure 6. EU Member states' share of contracts awarded by value (total for 2006–2008)



Source: GHK (2010, p. 9).

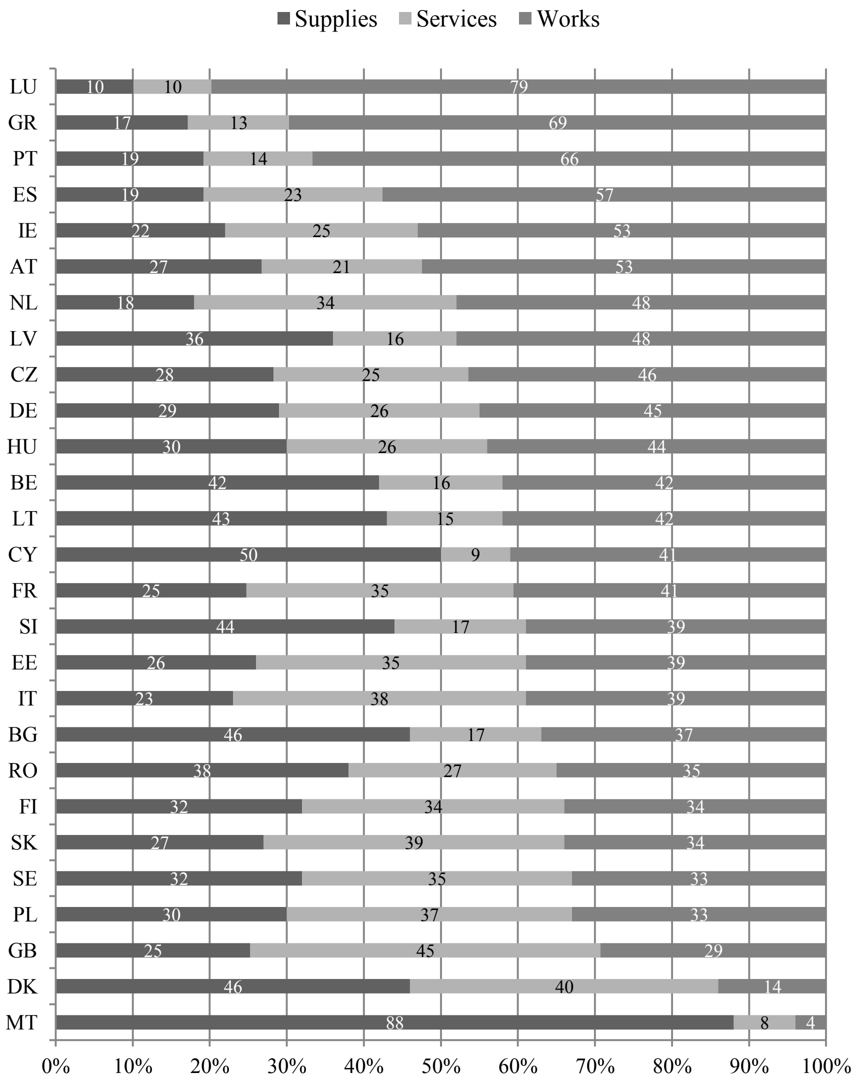
Some noticeable differences can be seen between individual Member States about the distribution of contracts awarded by their nature (figure 7). The share of supply contracts is relatively high in Malta (88%), Cyprus (50%), Denmark and Bulgaria (46% both). Service contracts are much above average in Great Britain (45%), Denmark (40%), Slovakia (39%), Italy (38%) and Poland (37%). Public works contracts account for the majority of the above-threshold public procurement spending in Luxembourg (79%), Greece (69%), Portugal (66%) and Spain (57%), and they are strikingly low in Malta (4%) and Denmark (14%).

The variations concerning the sectors of product or services are closely linked to the differences regarding the nature of contracts (figure 8). Expenditures on construction activities predominated in Luxembourg (71%), Portugal (57%), Greece (56%) and Spain (55%), and marked a very low proportion in Malta (4%), Denmark (18%) and Slovenia (22%). As far as machinery and equipment purchases are concerned, they constitute a significant portion of contracts awarded by value in Slovenia (39%) and Malta (33%). Also, the significance of commodities and food was relatively high in these two countries (10% both). The share of business services in total value of contracts awarded was extremely high in Malta (40%) and relatively low in Belgium, Estonia and Portugal (5% each).

Poland's accession to the European Union opened the national market of public procurement for foreign entities, but simultaneously it enabled a greater access to the markets of the member countries for Polish entrepreneurs.

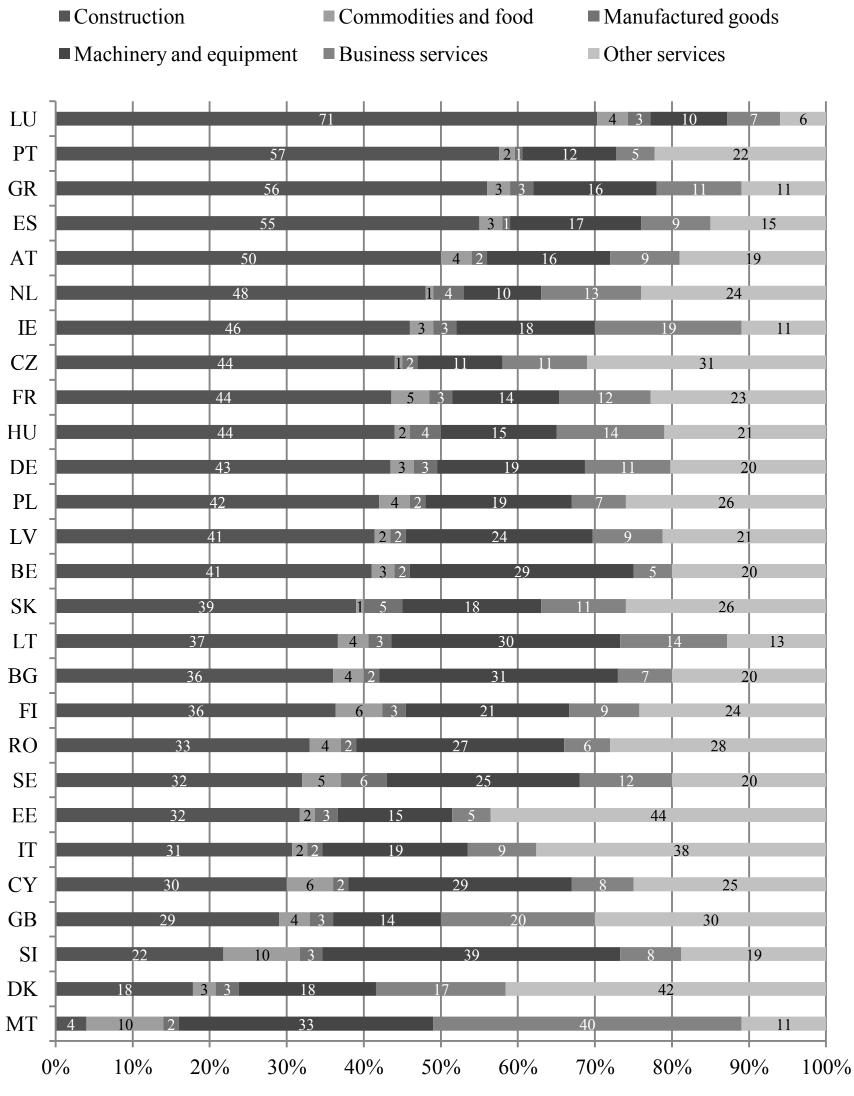
On the basis of notices published in the Official Journal of the European Union, it can be stated that in the procedures of the value above the EU thresholds in 2009 Polish operators were awarded 57 contracts on the EU market (in 2008 – 52, in 2007 – 54, in 2006 – 46 and in 2005 – 42). With the slight breaking-down in 2008 the number of contracts was growing in the analyzed period. In 2009 Polish operators most often won the procedures held by awarding entities from Belgium (15 contracts), Luxembourg (9) and Lithuania (8). Polish entrepreneurs realized in 2009 30 supplies, 26 services and 1 construction work. When it comes to supplies the awarded contracts concerned mainly mining equipment, furthermore software and medical equipment, whereas in services it was mainly statistical research, training and cartographic services that were awarded most often. Summing up, as it results from the published notices in 2009 Polish operators were awarded contracts accounting for more than 69 million euro (see UZP 2010, p. 34). Unfortunately, the correlation between number of contracts awarded to Polish operators and their value is negative. The growing number of contracts awarded is followed by decreasing total value. Comparing the value of contracts carried out by Polish operators in 2007 and 2009, it dropped by nearly 50%.

Figure 7. Distribution of contracts awarded by value and by nature of contract in EU-27, total for 2006–2008



Source: GHK (2010, p. 11).

Figure 8. Distribution of contracts awarded by value and by CPV, 2008 in EU-27



Source: GHK (2010, p. 13).

Table 1. Contracts awarded to Polish operators by foreign awarding entities in the years 2005–2009

Year	Number of contracts awarded to Polish operators by foreign awarding entities	Dynamics of number of contracts in %, base year = 2004	Value of contracts awarded to Polish operators by foreign awarding entities (in euro)
2004	13	-	X
2005	42	323	X
2006	46	353	X
2007	54	415	134 802 020
2008	52	400	113 183 830
2009	57	438	69 687 143

Source: own calculations based on reports on functioning of the public procurement system in the years 2005–2010, Public Procurement Office, Warsaw 2006–2010.

Foreign entities on the Polish public procurement market

Since 1 May 2004 notices concerning public contracts of the highest value must be published in the „Official Journal of the European Union". The number of public procurement notices and competitions published by Polish awarding entities in the „Official Journal of the European Union" in 2009 increased in comparison with 2005 by 15%. Despite a sharp decrease in 2006, an upward tendency was observed during the years 2005–2009 (table 2).

In 2009 Polish awarding entities published 14,248 public contract and contest notices in the Official Journal of the European Union and in 450 cases contracts were awarded to foreign operators. The majority were won by entrepreneurs from Great Britain (31% of contracts) followed by Germany (17%) and Italy (8%), France, the Czech Republic, the Netherlands and Switzerland (about 6% of contracts each), the USA (about 3%) and Austria (about 2%) (see UZP 2010, p. 35). Contracts mostly concerned supplies – 68% of contracts, followed by services 27% and construction works which accounted for 5%.

Contracts awarded to foreign operators mostly concerned special objects of the contract e.g. purchase of license rights to films, software or databases, purchase of medical equipment, optical appliances and precision instruments (see UZP 2010, p. 73). As far as construction works are concerned there were mainly contracts related to building roads and motorways. In total in 2009 foreign operators were awarded contracts accounting to more than 17,241 million PLN.

Table 2. The number of public procurement notices and design contests published by Polish awarding entities in the Official Journal of the European Union in the years 2005––2009

Year	Number of notices and design contests	Share in the number of tenders and contests at the EU level / share in the number of trends published by new member countries	Number of contracts awarded to foreign operators	Dynamics of contracts awarded in %, base year = 2005	Value of contracts awarded to foreign operators in PLN
2005	12 380	9.5% / 60%	232	-	X
2006	10 466	7.7% / 55%	339	146	X
2007	11 197	8% / 40%	309	133	6 215 458 710
2008	13 450	9% / 43%	448	193	7 899 643 523
2009	14 248	9%/47%	450	194	17 241 097 964

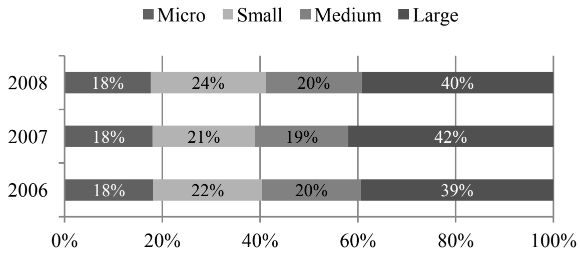
Source: own calculations based on reports on functioning of the public procurement system in the years 2005–2010, Public Procurement Office, Warsaw 2006–2010.

Participation of the small and medium-sized enterprises sector in the public procurement market

Due to the lack of complete data it is impossible to assess the market share of small and medium-sized enterprises. That is why all assessments connected with SME participation in the public procurement market are based on the reports commissioned by the European Commission presenting characteristics of the market for the whole European Union. The research conducted in 2007 on behalf of the European Commission showed that the share of small and medium-sized enterprises in the EU public procurement market was assessed in 2005 at 42% in terms of value (the share of micro-size enterprises accounted for 7%, of small enterprises – 11% and of medium-sized ones – 23%) and 61% in terms of quantity (see GHK & Technopolis, p. 47). And these values did not change considerably over the last years as the latest report prepared by GHK states (see GHK 2010, p. 41).

The proportion of SMEs amongst firms who won public contracts above the EU thresholds amounted to ca. 60% between 2006 and 2008, and was relatively stable (figure 9).

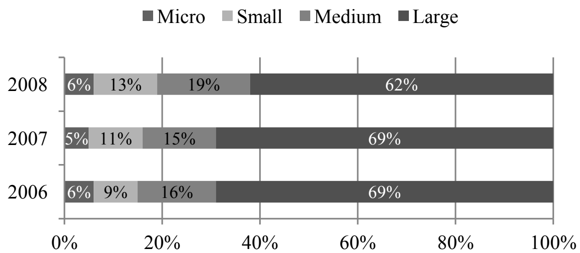
Figure 9. Share of SMEs among successful bidders



Source: GHK (2010, p. 21).

As the data in figure 10 show, SMEs were awarded contracts of smaller value than their larger counterparts as the total value of contracts awarded ranged from 31% in 2006 and 2007 to 38% in 2008. These estimates, however, only reflect the value of public procurement contracts awarded directly to SMEs and do not take into consideration the value that is subcontracted to SMEs which, as it is shown in American statistics, may be considerable and reach even 40%. These data are an opinion in its nature also because of the fact that they do not cover contracts below the Union thresholds that may be more accessible to small and medium-sized enterprises.

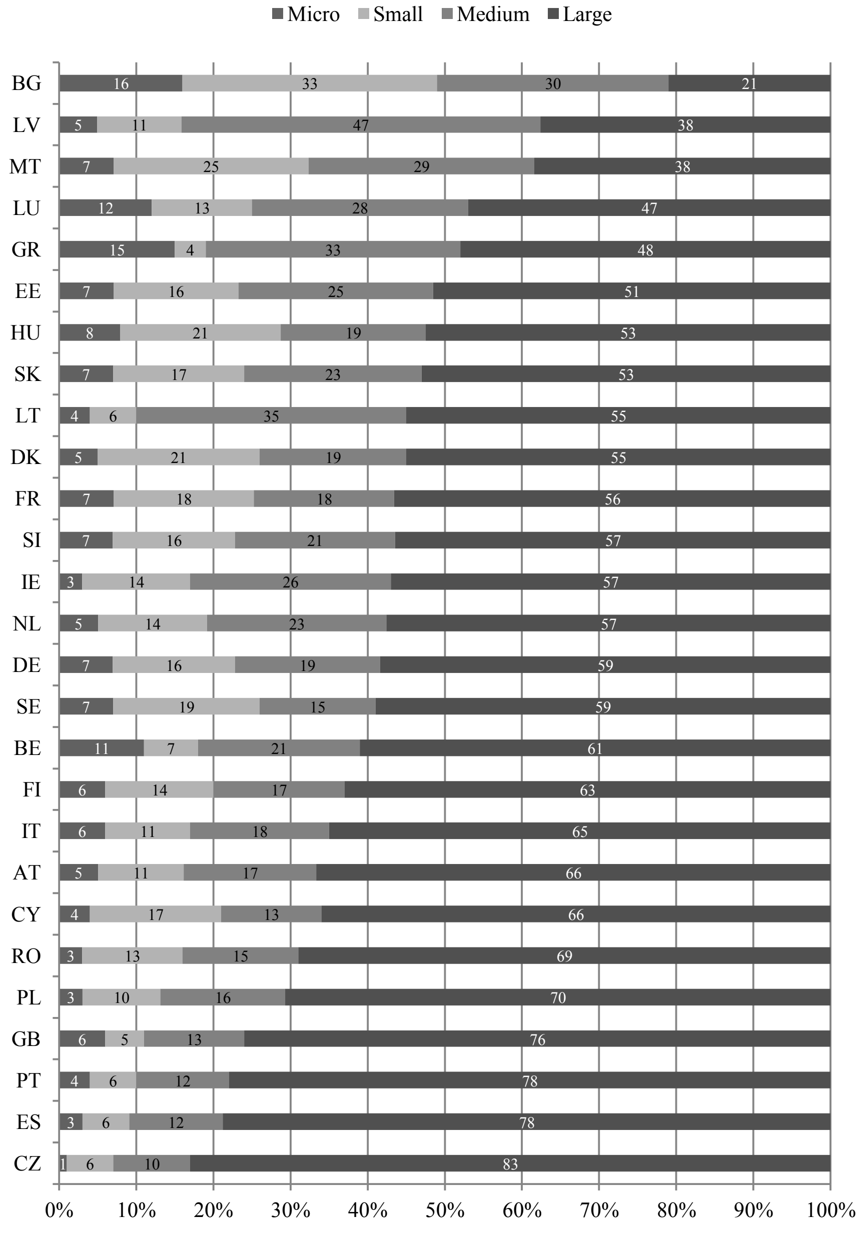
Figure 10. Share of SMEs in the total value of contracts awarded



Source: GHK (2010, p. 21).

As illustrated in figure 11, the proportion of SMEs in the estimated total value of contracts awarded varies significantly across the EU-27. It exceeds significantly the EU-27 average of 34% in Bulgaria (79%), Latvia (62%), Malta (62%), Luxembourg (53%) and Greece (52%), and is considerably below this average in the Czech Republic (17%), Spain (22%), Portugal (22%) and Great Britain (24%). The share of SMEs in Poland is relatively low with only 30%.

Figure 11. Share of SMEs in the total value of contracts awarded



Source: GHK (2010, p. 23).

As the GHK study showed (GHK 2010), the most frequently encountered barrier for SMEs to get access to the public procurement market is the overemphasis put in bids on price rather than on quality and flexibility (54% of companies experienced it 'always' or 'often'). This is followed by the too long payment terms (40%) and late payments (38%). Excessive administrative burden is also seen as an often-occurring problem (34% of companies experienced it 'always' or 'often'). Many companies also complain about unclear requirements set out by public authorities (30%) which makes them difficult to interpret. Information is an area that poses other possible barriers for SME participation in tenders. The information barrier may consist of insufficient information about tendering opportunities or information about the tender received too late to prepare a tender. The least frequently mentioned obstacles to procurement are too large contract values (7%) and that joint fulfillment of requirements by members of the consortium is not allowed by the procurer (5%).

The breakdown of the perceived obstacles by enterprise size class shows remarkable similarities to many of the barriers. However, what makes a real difference between firms of a different size is that micro enterprises seem to be more vulnerable to the overall administrative burden of the procedure and late payments.

Regarding the research conducted on the EU level some aspects should be indicated. Firstly, SME do not take advantage of any preferences in the access to public procurement. Secondly, the biggest share in the value of public procurement awarded to SME's sector belongs to utilities (46%) and central government (43%). Considerably fewer contracts come from local authorities (35%). Thirdly, SMEs have the biggest share in terms of the value of public procurement regarding supplies (45%). When it comes to public works and services, this share accounts for the level of 41%. Fourthly, the bigger value of contract, the smaller is the share of the smallest firms , while the share of bigger enterprises grows. Especially micro and small enterprises have a limited access to contracts of considerable value. SME sector conducts only 33% of public contracts above 2 million euro. Fifthly, micro and small firms achieve more than the average success index in winning public procurement (respectively 49% and 45% at the average for all firms accounting for 42%). The least successful in this respect are medium-sized firms (39% of success index). Sixthly, for many smaller firms (micro and small ones) the public procurement market has become the main area of their activity. As much as 42% of micro firms involved in public procurement generate over 1 million euro of their income from realization of these contracts. Seventhly, above the 1/3 of researched firms often compete for tenders (above a hundred times in the period of previous three years). It concerns mainly big firms (55%) and to a much smaller degree smaller firms. It means that firms competing for public procurement consider this market as an important one. Every fourth micro firm applies for public procurement (participation in 5 or fewer in the previous three years).

SMEs participation in public procurement market in Poland

In such market reality where public procurement has an essential share in many enterprises' profits, it is important to define how active the SME's sector is on this market. We would like to present the results of two studies that we carried out in 2008 where two basic research questions were asked:

– Is the market potential fully used as regards applying for awarding public contracts by SMEs?
– What are the main obstacles determining the access of SMEs to the public procurement market?

The first study whose results we would like to quote was conducted to recognize the participation of Polish entrepreneurs in proceedings of awarding public procurement. The research was conducted in the period September-November 2008. The research was conducted in the electronic way based on the tool of electronic questionnaire addressed to enterprises by e-mail. Unfortunately, completion and return of questionnaire in such a research is not numerous and such was our case. That is why the research results should be treated as a public opinion poll, although the sample consisted of 629 enterprises which was only ca. 14% of a potential sample (n = 4500). Nevertheless, comparison of this research results with other national researches permits to treat the results of our studies as close to representative.

Representative sampling in the statistical sense could not be ensured because in spite of random sampling, the size of the sample was too small comparing to our expectations. In the sample there were enterprises of different size – ca. 35% represented micro and small enterprises each, the following 17% – medium-sized, and 9% large ones, they were mainly domestic firms (only ca. 3% were firms of 100% foreign capital, and the following 1.3% – with prevailing majority of foreign capital). From the point of view of organizational and legal form limited liability companies dominated (ca. 38%) followed by sole proprietorships (31.4%) and civil partnerships (12.5%). As far as the profile of their activity is concerned, firms rendering services (ca. 53%) and commercial ones (ca. 30%) prevailed. Of the total of 625 entities participating in the research 213 (not even 38%) declared participation in the proceedings to award public procurement in 2007.

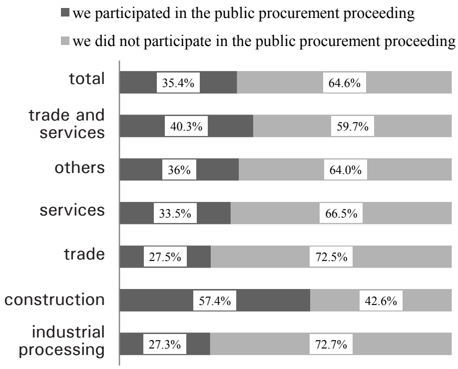
The statistics for the last three years are even less optimistic. At that time only 32.4% of enterprises carried out or was in the course of fulfilling public procurement contracts. Considering the fact that the prevailing number of entities was represented by the sector of SME, the statistical data confirm that the share of small and medium-size enterprises in public procurement market is insufficient regarding their existing potential.

The majority of entities taking part in the research declared their participation in the proceeding which was published by a domestic institution. Cases of proceedings published by foreign institutions, included the ones situated on the territory of the EU, did not even account for 1% of the fulfilled contracts in 2007. Two sections defining the number of contracts realized in 2007 by the responding entities were chosen most often. Section from 2 to 5 proceedings was chosen by 33.6% units, whereas 32.9% of entities realized over 10 contracts.

In order to define correlation between enterprises' activity on public procurement market and the sector of activity, statistical tests concerning the size of the enterprise and the period of its functioning were conducted. The analysis of the obtained results shows occurrence of statistically significant dependence among the following groups of variables: the share in the public procurement market expressed by the participation in the proceedings in 2007 divided according to the period of the enterprises' functioning expressed by the date of the first invoice issue, the size of enterprise measured by the number of employed workers, and the type of activity.

As results from figure 12, among enterprises taking part in the research only those who were active in construction works in the prevailing part participated in proceedings of awarding public procurement (57.4%). When it comes to the remaining types of activity the enterprises that did not participate in public procurement dominated. The enterprises involved in industrial processing (27.5%) and in commercial activity (27.5%) participated in the public procurement market least frequently.

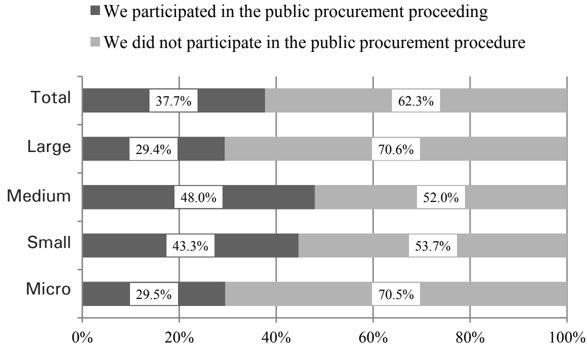
Figure 12. The share in public procurement market in 2007 divided according to the type of business activity



Source: own research based on the results of the conducted survey.

Taking into consideration the year of establishing the enterprise it may be quite clearly seen that enterprises of longer market existence participated in the proceeding of awarding public procurement (figure 13). In 2007 the enterprises established before 1989 (before transformation of economy) participated most often (45.8%), while among the researched enterprises the ones established after the year 2004 did not appear at all. The causes of such a situation may be seen mainly in the fact that earlier experience in business gives an advantage.

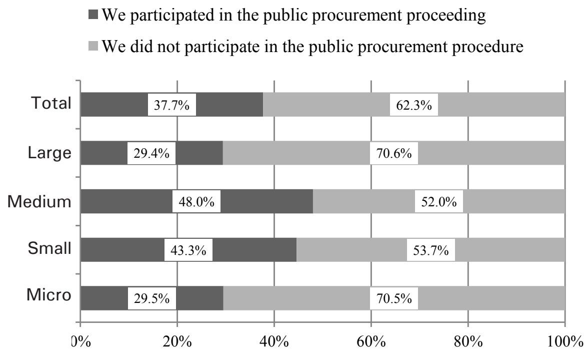
Figure 13. The share in public procurement market in 2007 divided according to the year of company establishment



Source: own research based on the results of the conducted survey.

As it was mentioned, the SMEs' share in public procurement market is insufficient and the analysis of Figure 14 provides a confirmation of that. In each size category enterprises more often did not participate than participated in the proceedings of awarding public procurement. When it comes to micro enterprises hardly 30% were present on public procurement market, the data are more optimistic for small and medium-size firms – respectively 43.3% and 48%.

Figure 14. The share in public procurement market in 2007 divided according to the size of enterprises



Source: own research based on the results of the conducted survey.

Similar results were given by the conclusions formulated after the question concerning the enterprises' share in the public procurement market in the period of the recent three years including the currently realized contracts.

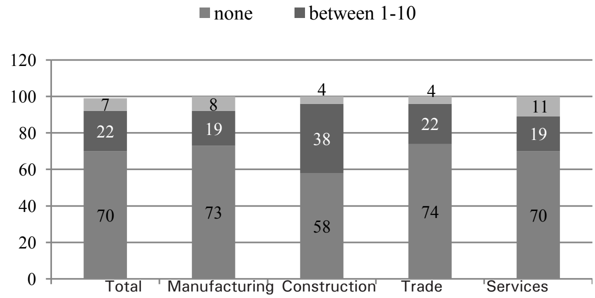
On this ground it can be acknowledged that in the period of the recent three years the trends on the public procurement market have been similar. Enterprises' activity in proceedings of awarding public procurement depends on the size of the enterprises, the time of its existence on the market, and the type of activity.

In the further stage the analysis of dependence between the number of proceedings in which the enterprise participated in 2007 and the variables such as the size of the enterprise, the region, the sector of activity, the year of establishment was conducted. In each case the results obtained show that the variables should be recognized as independent ones. For the mentioned pairs we also conducted the analysis in the field of participation in the public procurement market in the period of the recent three years. The values of statistical tests confirmed, however, that the dependence is not statistically significant.

The development potential of Polish SMEs in view of public procurement market access

The second study was commissioned by the Polish Agency for Enterprise Development and it was based on the representative sample of 802 Polish small and medium-sized enterprises. It revealed that only every third small and medium-sized firm tried to enter contracts in the framework of public procurement both above and below the Union thresholds (figure 15) (see Kornecki et al. 2008)[4]. SMEs in trade were least active with as many as 74% of firms in this sector of activity not submitting any tenders at all in 2007.

Figure 15. Number of tenders submitted in 2007

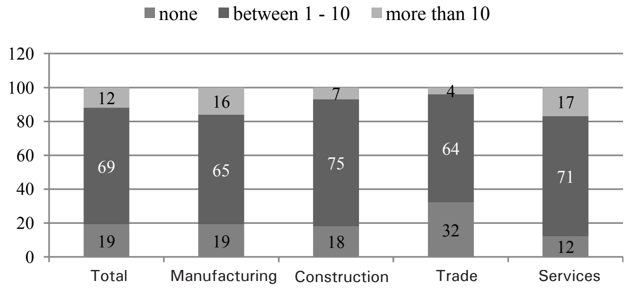


Source: based on Kornecki et al. (2008).

[4] The study was based on the questionnaire survey carried out by means of computer-assisted telephone interview. Large firms were excluded from the survey.

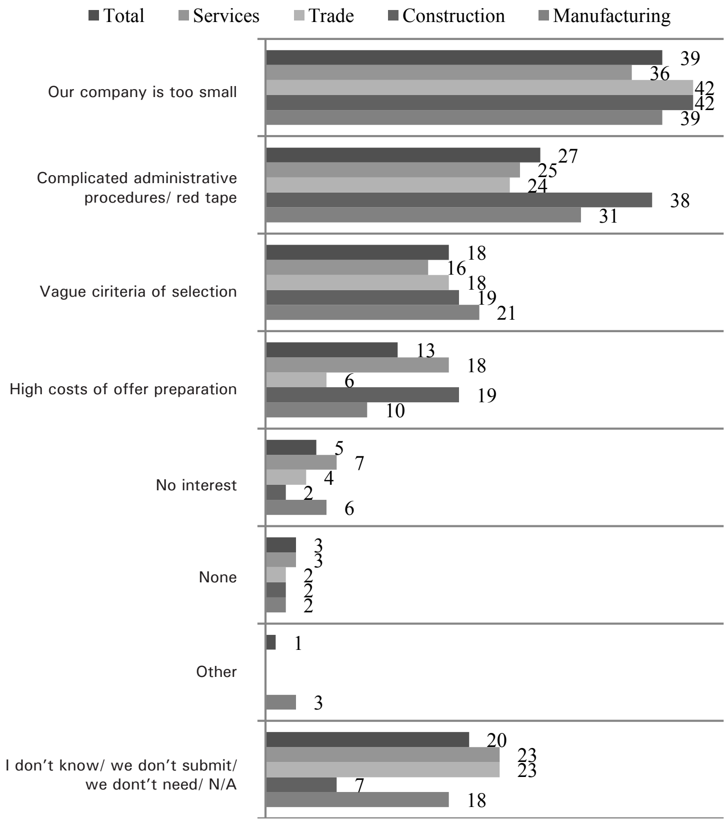
As illustrated in the figure 16, every fourth firm declared that it had won at least one tender. Most successful in winning tenders are SMEs in services, whilst least successful are SMEs in trade.

Figure 16. Number of tenders awarded in 2007



Source: based on Kornecki et al. (2008).

Figure 17. Barriers for participation in tenders



Source: based on Kornecki et al. (2008).

Moreover, among firms that have not been interested in public procurement so far, more than 50% still do not intend to do it. The main barriers to SME participation in the public procurement market in Poland include too small a size of the firm, complicated administrative procedures, high costs of preparing offers and unclear criteria of selecting them (figure 17).

Conclusions

Poland's accession to the European Union opened the national market of public procurement for foreign entities, but simultaneously it enabled a greater access to the markets of the member countries for Polish entrepreneurs.

With respect to the number of contract award notices Poland has been ranked second among the EU-27 since 2005 with 11.8% of contract award notices. In view of the value of contract award notices Poland holds the fifth place across EU-27 with a 6.6% share. Service contracts constitute the biggest type of value contracts awarded and these are much above the EU-27 average with 37%. Public works contracts account for 33% and supplies – 30%. The nature of contracts is tantamount to the types of products or services and they resemble the EU-27 average structure. From this perspective, expenditures on construction activities account for 42% of the entire value of public procurement contracts, and machinery and equipment purchases – 19%. Only the share of business services considerably differs from the EU-27 average of 12% and amounts to mere 7%. In 2009 Polish awarding entities published 14,248 public contract and contest notices in the Official Journal of the European Union and in 450 cases contracts were awarded to foreign operators. The majority were won by entrepreneurs from the United Kingdom (31% of contracts) followed by Germany (17%) and Italy (8%). Contracts mostly concerned supplies – 68% of contracts, followed by services 27% and construction works which accounted for 5%. Contracts awarded to foreign operators mostly concerned special objects of the contract e.g. purchase of license rights to films, software or databases, purchase of medical equipment, optical appliances and precision instruments. As far as construction works are concerned there were mainly contracts referring to building roads and motorways. In total in 2009 foreign operators were awarded contracts accounting to more than 17,241 million PLN.

Polish entrepreneurs have just started competing on the EU procurement market to win contracts with quite a modest level of success. Based on notices published in the Official Journal of the European Union, it can be stated that in the procedures of the value above the EU thresholds Polish operators were awarded 57 contracts on the EU market, of which 30 concerned supplies (mainly mining equipment, software and medical equipment), 26 referred to services (statistical research, training and cartographic services) and 1 to construction work. This marks, however, a steady growth since Poland's accession to the European Union. Polish enterprises were most successful in winning the procedures held by awarding entities from Belgium (15 contracts), Luxembourg (9) and Lithuania (8). In 2009 Polish operators were awarded contracts accounting for more than 69 million euro. However, the growing number of contracts awarded is followed by their decreased total value. Comparing the value of contracts carried out by Polish operators in 2007 and 2009, it dropped by nearly 50%.

Due to the lack of complete data it is impossible to measure the precise market share of small and medium-sized enterprises in the public procurement market. Only sample-based estimates can be made. According to these estimates, the proportion of SMEs amongst firms who won public contracts above the EU thresholds amounted to ca. 60% in terms of quantity and 38% in terms of value (the share of micro enterprises accounted for 18% and 6%, of small enterprises – 24% and 13% and of medium-sized ones – 20% and 19% respectively).

In Poland the SME share maintains noticeably below EU-27 average of 34%. The shares of micro, small and medium-sized enterprises amounted to 3%, 10% and 16% of the total value of contracts respectively. These assessments show only the value of contracts awarded directly to firms of small and medium-size sector, while they do not cover the share of small and medium-size enterprises in realization of public procurement as sub-operators

To sum up, in Poland the share of small and medium-sized enterprises in public procurement market is insufficient regarding their existing economic potential. Only one in three small and medium-sized firms tried to enter contracts in the framework of public procurement both above and below the Union thresholds. In addition, among firms that have not been interested in public procurement so far, more than 50% still do not intend to do it. SMEs in trade appear to be least active with as many as 74% of firms in this sector of activity not submitting any tenders at all in the year of conducted analysis. Every fourth firm declared that it had won at least one tender. SMEs are most successful in winning tenders in services, whilst least successful in trade.

It turns out that micro and small firms achieve more than average success rates in winning public procurement (49% and 45% respectively while the average for all firms accounts for 42%). The least successful in this respect are medium-sized firms (success rate of 39%). Then, for many smaller firms (micro and small ones) the public procurement market has become the main area of their activity.

The main barriers to SME participation in the public procurement market in Poland include too small a size of the firm, complicated administrative procedures, high costs of preparing offers and unclear criteria of selecting them.

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