

Administrative Measures for Government Procurement to Promote the Development of SMEs (2021)

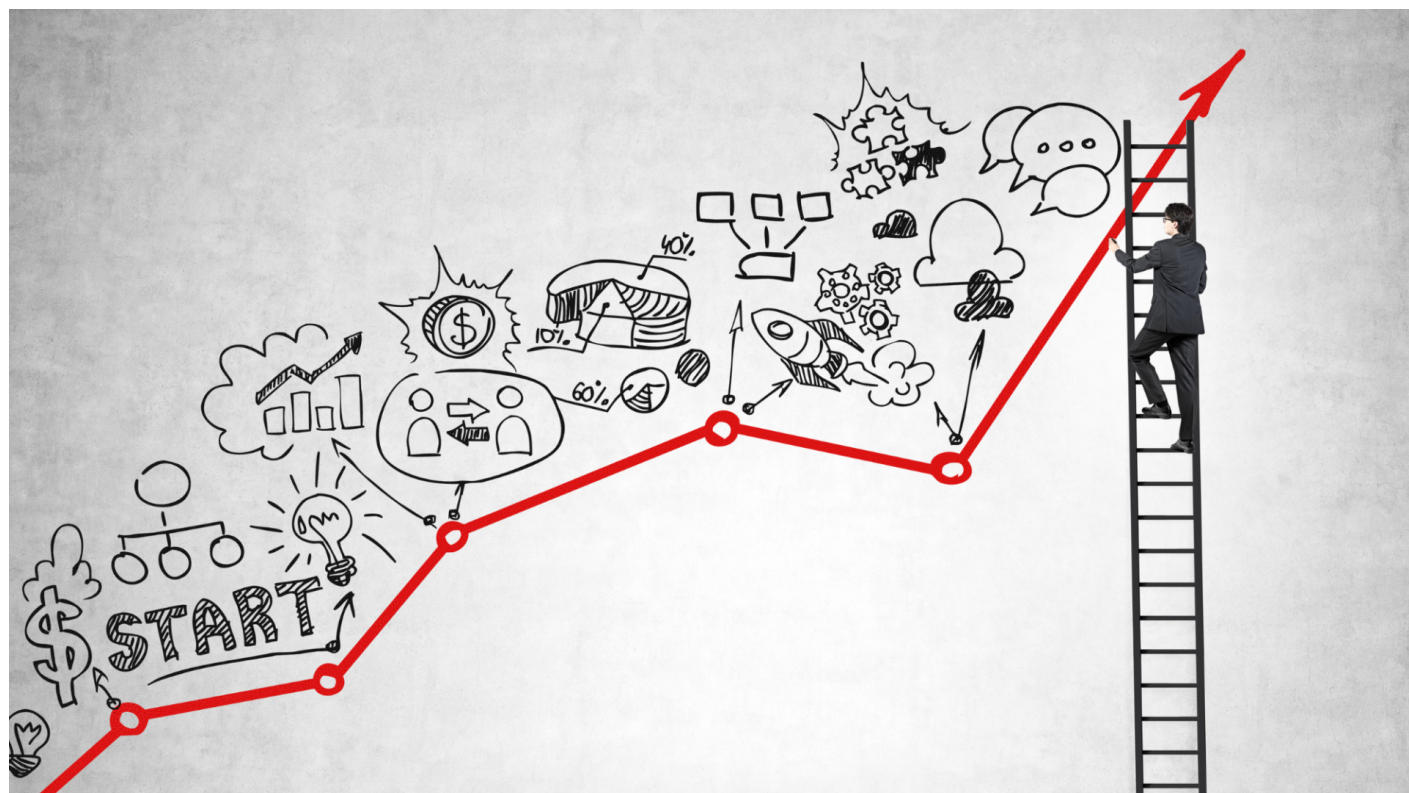
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On 18 December 2020, the Administrative Measures for Government Procurement to Promote the Development of SMEs were issued by the Ministry of Finance and the Ministry of Industry and Information Technology in China. These 25 Administrative Measures came into effect on 1st January 2021, aiming at promoting the development of SMEs in the country.

Since the implementation of the Interim Measures for Government Procurement to Promote the Development of SMEs in 2011, an increasing number of SMEs have been engaged in government procurement activities. However, due to the lack of clarity in these regulations, certain problems have come to the surface.

The following article includes a detailed interpretation of the newly revised measures by the Ministry of Finance and the Ministry of Industry and Information Technology. **What measures have**

been amended to support SMEs? How does the government implement these measures? What are the key recommendations for SMEs to participate in government procurement activities?

This text serves as a guideline for European SMEs operating in China who wish to take part in government procurement projects and get an insight into the supporting policies.

About Susana XU: As part of the Advocacy team, Susana currently works closely with the Advocacy Manager in the development of SME lobbying, the creation of the Advocacy database and the organisation of the Inter-Chamber SME Working Group and policy meetings. The Inter-Chamber Small and Medium-sized Enterprise (SME) Working Group was established in 2014 as a new element of the EU SME Centre in Phase II (2014-2020), with the objective of strengthening advocacy for European SMEs in China.

The working group is based on the European Chamber's Small and Medium-sized Enterprise Forum. As SMEs are key contributors to the overall economic development and social welfare of countries, the working group aims to bring together European SMEs to create a strong channel through which concerns over the business challenges faced in China can be expressed. The working group regularly organises meetings that provide practical solutions and policy advice to European SMEs and their stakeholders.

If you have any questions or would like to know more in detail, please feel free to reach us through our 'ask-the-expert' function on our website or contact us on info@eusmecentre.org.cn.

Answers by the Ministry of Finance and the Ministry of Industry and Information Technology on the Administrative Measures for Government Procurement to Promote the Development of SMEs ("Measures")

I. What were the main considerations when issuing the Measures?

Answer: SMEs serve as an important foundation for building a modern economic system and achieving high-quality economic development. In 2011, the Ministry of Finance and the Ministry of Industry and Information Technology issued the Interim Measures for Government Procurement to Promote the Development of SMEs. The quotas of SMEs in government procurement projects have been successfully increased through various measures such as reserved procurement quotas and incentive mechanisms. Since the implementation of the Interim Measures, more and more SMEs have actively participated in government procurement activities. In the meantime, some problems gradually emerged, such as the lack of concrete measures to reserve quotas, and the unclear responsibility of procuring entities. In order to give full play to government procurement policies and promote the development of SMEs, the Ministry of Finance and the Ministry of Industry and Information Technology have revised and improved the Interim Measures.

II. What measures have been clarified and refined in the revised Measures to support SMEs?

Answer: The revised Measures have been improved in the following four main areas:

(i) Refined provisions of reserved procurement quotas. The responsible budget units are required to organise an evaluation of government procurement projects in their own departments and affiliated units, and reserve procurement quotas specifically for SMEs. Firstly, all procurement projects of small sum (procurement projects of goods and services with a value not exceeding RMB 2 million and engineering procurement projects with a value not exceeding RMB 4 million) should be, in principle, reserved for SMEs; Secondly, over 30% of the total budget of the procurement projects with a value exceeding the aforesaid amount should be exclusively reserved for SMEs, and within this, the proportion reserved for small and micro enterprises should not be less than 60%. The reserved procurement quotas shall be separately registered in the government procurement budget, and the implementation status shall be disclosed to the public.

(ii) Improved evaluation method of price concessions for government procurement projects. In the evaluation of procurement projects or procurement packages without reserved quotas, the revised Measures requires the procuring entities and procurement agencies to grant a price deduction of 6%-10% (3%-5% for engineering projects) to small and micro enterprises. At the same time, it is clarified that if a government procurement project adopts the comprehensive evaluation method instead of the low-price priority method to calculate its price score, the evaluation of bids should increase its price score by 3%-5% on the basis of the original quotation.

(iii) A combination of measures for supporting the development of SMEs. The Measures also contain provisions for supporting SMEs in terms of fund disbursements and credit guarantee. Firstly, procuring entities are encouraged to appropriately shorten the payment period for SMEs and increase the proportion of advance payment; Secondly, SMEs shall be guided to use credit guarantee in government procurement activities, and receive professional services in bid guarantee and performance guarantee; Thirdly, SMEs are encouraged to comply with the laws and raise finance by signing government procurement contracts.

(iv) Increased feasibility. In order to urge the budget units to better implement the policy on reserved quotas, the Measures have listed four specific ways, including reserving quotas for the whole procurement project, setting up special procurement packages, requiring the consortium to participate in the procurement or the suppliers to subcontract; and have indicated five specific situations in which SMEs may not receive reserved quotas, so that the procuring entities can reserve procurement projects in a scientific and reasonable manner. In addition, the responsibilities of relevant entities such as procuring entities, procurement agencies, suppliers, and competent authorities have been clarified in accordance with the provisions of laws and regulations.

III. How can budget units implement the policy?

Answer: Budget units at all levels shall effectively fulfill their main responsibilities and carry out the following work in accordance with the provisions of the Measures:

Firstly, the competent budget units should organise an evaluation of the government procurement projects in their own departments and affiliated units, and formulate specific plans for reserving procurement quotas for SMEs. For those suitable ones, the procurement quotas shall be exclusively reserved for SMEs and shall be registered separately in the procurement budget. **Secondly**, efforts should be made to strengthen the management of procurement demands, reasonably determine

the procurement needs, and specify in the procurement documents the specific measures for making purchases from SMEs for relevant projects or giving preferential evaluation to small and micro enterprises. **Thirdly**, measures should be taken to implement performance management of the budget involving procurement from SMEs, reasonably set performance targets and indicators, implement relevant policy requirements for supporting SMEs, regularly carry out performance monitoring and evaluation, and enhance the application of performance evaluation results. **Fourthly**, from 2022 onwards, each competent budget unit should report to the financial authorities at the same level the details of its reserved quotas for and procurement from SMEs in the previous year, and disclose the implementation of the reserved projects on the website of China's government procurement (<http://www.ccgp.gov.cn/>).

The Ministry of Finance will include the government procurement support for SMEs into its main scope of supervision, and provincial finance departments should also introduce specific measures as soon as possible in light of the actual situation in their regions.

IV. Are SMEs required to provide identification documents in government procurement activities?

Answer: SMEs only need to submit the Statement of SMEs as their identification document to participate in government procurement activities and enjoy supporting policies. They should fill out and submit their own Statement in accordance with the provisions of the Measures and the Provisions on the Criteria of Classification of Small and Medium-sized Enterprises (MIIT [2011] No.300). SMEs are responsible for the authenticity of their declaration. If the content of their declaration is untrue or they are deemed to provide false materials to win the bid and clinch a deal, they will be held liable for such acts in accordance with relevant national regulations.

To facilitate the identification of the size and type of enterprises, the Ministry of Industry and Information Technology has developed a self-assessment applet, which was launched on February 27, 2020 on their website. In case of a dispute over the size and type of a SME, the Measures stipulate that the competent departments in charge of SMEs shall give a written reply within 10 working days upon receipt of a letter requiring their assistance in the identification of company size and type.

VI. What are the suggestions for SMEs to participate in government procurement activities?

Answer: It is suggested that SMEs focus on the following aspects:

Firstly, pay attention to the website of China's government procurement and identify business opportunities in time. At present, the website has achieved nationwide coverage, where all kinds of procurement information such as procurement intention and bidding announcements are published. It is recommended that SMEs appoint special personnel to keep an eye on the information released on the website, refer to the content of the procurement intention announcement to select projects of interest and make preparations for participating in government procurement in advance.

Secondly, prepare relevant materials according to the requirements of procurement documents. The Measures stipulates the content that procurement documents should contain when a project involves the procurement from any SME. The announcements published on

the website will specify the time, place and method of obtaining the procurement documents. SMEs shall follow the guidelines to obtain the procurement documents in a timely manner, and carefully prepare the response documents and a declaration letter according to the requirements.

Thirdly, cooperate with the investigation work related to supervision, inspection and complaint handling. Where it is necessary to identify SMEs in the process of supervision and inspection of government procurement and complaint handling, SMEs do not need to make an application, but the finance departments or the relevant administrative supervision departments for tendering and bidding shall send a letter to the competent departments in charge of SMEs, asking them to make the identification. When government departments carry out relevant investigations on the identification of SMEs, suppliers should actively cooperate with their work.

Fourthly, carefully study the provisions of the government procurement legal system and safeguard the legitimate rights and interests. The Measures stipulates that any failure to deduct price or increase price score as required shall constitute non-compliance with the government procurement policy. If SMEs believe that the procurement entity or agency fails to implement the policy, or the procurement process, the bid winning or the results prejudices their rights and interests, they can question or make complaints in accordance with the provisions of the corresponding legal system to protect its rights and interests.

Source:

- [Information Centre of the Ministry of Industry and Information Technology \(qq.com\)](#)

Further readings

- [Guideline: Understanding China's procurement processes](#)

If you would like to learn more about the China's standards and procedures or other matters, please refer to our [FAQs](#) where you can find over 80 China specific questions or [contact our experts at the Advice Centre](#). For other questions, please contact us at info@eusmecentre.org.cn