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Bus stop

SMEs and PPPs

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Among the many benefits that PPPs can bring, PPPs can build local capacity and expertise (resulting in more cost efficiencies), encourage increased competition, and create opportunities for broader economic growth. To enjoy such benefits, involving small and medium enterprises (SMEs)* in PPPs is key.

However, PPPs are often very large or complex, and it may be hard for SMEs to compete in the market, particularly in developing countries. SMEs may find it costly, time-consuming, or otherwise challenging to respond to complex prequalification criteria or bidding documents. Governments can provide a number of incentives to SMEs to flourish, such as through procurement incentives or capacity building. At the same time, governments must balance the desire to build and use domestic capacity with the interests of good quality service delivery. It is also important to be realistic about the capacity of SMEs in the relevant market to participate in more complex projects.

Further, even with pro-SME laws and policies in place, in practice, the actual beneficiaries of such policies may not be the intended recipients. Well-designed policies and their implementation procedures are thus crucial, and many different approaches can be combined. For example, bidders can present a small business subcontracting program which has targets but not necessarily upfront commitments. The government could combine these policies with information services for bigger investors about available SMEs, and capacity building support for SMEs to help them be more effective in performing public contracts. It is also useful to be aware of the diversity policies of the large international contractors, and make use of them.

In this section, the Public-Private Partnership Resource Center presents some legal/ policy mechanisms that various countries and companies are using to promote or prescribe the involvement of SMEs in PPP, and a discussion of the potential use of SMEs in PPP projects and some capacity building initiatives applied by government for building capacity of domestic private sector in developing countries are included.

Similar issues are also raised in:

- Gender inclusion – discussing the need for women to participate in the benefits of infrastructure development, click here for specific references and case studies on women entrepreneurs and female-owned SMEs
- Sub-national and Municipal PPPs- which tend to be smaller in scale and more localized

*The term "SMEs" in this section is meant to be understood generically. Each country will have their own definition of what constitutes an SME. Furthermore, given the overlaps between SMEs and local businesses, we have also included policies on local content in this section, to the extent that they might be relevant to SMEs and PPPs.

Related Content

- **SMEs and PPPs**

- **Promotion of SME Participation in PPP Laws and Regulation**
- **Promotion of SMEs/Local Content in Public Procurement Laws and Regulation**
- **Sector-Specific Laws and Regulations Promoting SMEs/Local Content**
- **Bidding Documents and Contractual Provisions regarding inclusion of SMEs in PPPs**
- **Examples of Policies of International Contractors Promoting SMEs**
- **Examples of Policies that Incorporate Existing Operators into New PPPs**
- **Further Reading in SMEs and PPPs**

Additional Resources

- Sub-national and Municipal PPPs
- Gender Equality & PPPs
- How to foster a more inclusive environment for SMEs in PPPs?

Subsections



Bidding Documents and Contractual Provisions regarding inclusion of SMEs in PPPs: Bus window view

Bidding Documents and Contractual Provisions regarding inclusion of SMEs in PPPs



Examples of Policies that Incorporate Existing Operators into New PPPs: Bus Terminal

Examples of Policies that Incorporate Existing Operators into New PPPs



Examples of Policies of International Contractors Promoting SMEs

Examples of Policies of International Contractors Promoting SMEs



Promotion of SME Participation in PPP Laws and Regulation: Street Cleaning Truck

Promotion of SME Participation in PPP Laws and Regulation



Promotion of SMEs/Local Content in Public Procurement Laws and Regulation: MRT

Promotion of SMEs/Local Content in Public Procurement Laws and Regulation

Laws and Regulations Generally Promoting SMEs/Local Content

Laws and Regulations Generally Promoting SMEs/Local Content

Sector-Specific Laws and Regulations Promoting SMEs/Local Content: Tuk Tuk Thailand

Sector-Specific Laws and Regulations Promoting SMEs/Local Content

Further Reading in SMEs and PPPs: Bus in City

Further Reading in SMEs and PPPs

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