

# **GUIDELINES TO INCREASE SME'S PARTICIPATION IN CONTRACT AWARDED BY LAGOS STATE GOVERNMENT**

## **1. INTRODUCTION OR PREAMBLE**

The purpose of this guideline is to address the challenges that Small and Medium Enterprises (SMEs) face in participating and winning contracts awarded by the Lagos State government by providing solutions to how such challenges/barriers can be overcome by SMEs not only to participate in such contracts but also to be able to submit responsive bids that will lead to award of contracts in the state.

SMEs represent an increasingly important sector of any economy and can be key drivers of its economic growth and employment. As a result of this, it is necessary to encourage and facilitate their participation in public procurement procedures subject to the application of the provisions of the Lagos State Public Procurement Agency Law (The Law)

## **2. SMEs DEFINITION**

The classification adopted in the National Policy on Micro, Small and Medium Enterprises is as shown in the table below:

### **Classification adopted by National Policy on MSMEs:<sup>1</sup>**

	<b>SIZE CATEGORY</b>	<b>EMPLOYMENT</b>	<b>ASSETS (n MILLION) (excluding land and buildings)</b>
1	Micro enterprises	Less than 10	Less than 5
2	Small enterprises	10-49	5 – less than 50
3	Medium enterprises	50-199	50 – less than 500

For the purpose of this guideline the employment-based classification for medium enterprises will be adopted. Therefore, SMEs will be defined as enterprises employing less than 200 persons.

## **3. COMMON BARRIERS TO THE PARTICIPATION OF SMES IN PUBLIC PROCUREMENT**

The table below contains the most common obstacles faced by SMEs in the procurement process and how they can be overcome.

<b>OBSTACLES AND PROBLEMS</b>	<b>SUGGESTED SOLUTIONS</b>
Value of contracts too high for SMEs to participate due to inability of SMEs to meet financial (cashflow, average turnover) and similar experience requirements	<ul style="list-style-type: none"><li>• Breakdown the package in lots in quantitative and qualitative terms</li><li>• The qualification criteria can be relaxed and should be the acceptable minimum</li></ul>

---

<sup>1</sup>National Policy on Micro, Small and Medium Enterprises issued by Small & Medium Enterprises Development Agency of Nigeria.

	<p>for the estimated value of the contract being bided.</p> <ul style="list-style-type: none"> <li>• SMEs should be encouraged to participate as joint ventures and subcontractors (such arrangements should be subject to the existence of legal documents evidencing same)</li> </ul>
Tight deadlines for preparation of bids	<ul style="list-style-type: none"> <li>• Increase in the deadlines for the submission of bids especially for complex contracts. (as long as any such increase is still within the maximum period allowed in the Law) and not at the expense of the project timelines.</li> </ul>
Lack of necessary knowledge of the PPL and bidding procedures of the state	<ul style="list-style-type: none"> <li>• Enlightenment initiatives (which may include but not limited to training and workshops) will be provided for the SMEs on the State's bidding procedures and Law. These programmes will be organized periodically by PPA in conjunction with relevant MDAs.</li> </ul>
Lack of knowledge of bidding opportunities in the MDAs	<ul style="list-style-type: none"> <li>• All Bidding opportunities within the requisite category will be published on the PPA website</li> <li>• Procuring Entities are encouraged to disseminate information on bidding opportunities to relevant trade groups in the state, for example, the Nigeria Association of Small and Medium Enterprises or similar bodies.</li> </ul>
High cost of bid preparation including cost of producing paper bids, obtaining the bidding documents and submission of bids to the MDAs	<ul style="list-style-type: none"> <li>• Charge the barest minimum as cost of obtaining bidding document to cover the cost of the preparation of the bidding document.</li> <li>• Allow electronic submission of password protected, read-only bids and quotation</li> </ul>
High cost and difficulty in obtaining financial instruments; bid security, advance payment and performance guaranties,	<ul style="list-style-type: none"> <li>• Waive the requirement for the submission of financial instruments for contracts below N10million</li> <li>• Allow in special cases and low threshold projects, for submission of performance bond declaration in place of bank performance guarantee and advance</li> </ul>

	payment declaration form instead of advance payment guarantee. <ul style="list-style-type: none"> <li>• Allow for submission of Bid Securing Declaration instead of Bid Security in special cases and low threshold projects</li> </ul>
Insufficient cash flow to implement awarded contracts	<ul style="list-style-type: none"> <li>• Increase advance payment up to 40% of contract amount</li> </ul>

#### 4. COMMON ERRORS OF SMES IN PUBLIC PROCUREMENT PROCEDURES AND HOW TO OVERCOME THEM

In addition to obstacles/barriers faced by SMEs in participating in public procurement contracts, SMEs also commit some errors when they participate in public procurement contracts. Some of these errors and how they can be overcome are listed in the table below:

Common Errors of SMEs	How to Overcome Errors
Failure to follow up on notices of bidding opportunities	Daily monitoring of notices on the PPA website
Not properly studying the bidding documents requirements including the technical specifications	Special attention should be paid to studying the technical specifications and the requirement of the bidding documents (Training will be provided on this by PPA)
Failure to request for clarification of bidding documents /untimely submission of the request for clarification	SMEs should take advantage of the Law which allows bidders to request for clarifications of the bidding document within the time stipulated in the issued bidding document
Late submission of Bids	The submission deadline stipulated in the bidding document should be complied with
Failure to submit with the bids all requested documentary evidence supporting the requirements of the bidding documents	Ensure all required evidences to support bid submission are included in the bid. (This will be emphasised during the SME training/ pre-bid meetings)

#### 5. TRAINING OF SMES ON THIS GUIDELINE

The Public Procurement Agency (PPA) will provide enlightenment sessions to the SMEs on this guideline to enable them to participate and win contracts in the state. The focus of the sessions can be on the following:

- Where to find bidding opportunities for contracts to be awarded by the Ministries, Departments and Agencies (MDAs)
- The provisions of the Law

- Preparation of responsive bids. This will include among other topics:
  - How to request for clarifications on the bidding documents
  - Bid preparation and submission including ensuring that bids are responsive to the technical specifications, other requirements of the issued bidding document, and ensuring that all required evidences to support bid submission are included in the bids
  - Common mistakes in bid preparations
- How to request for a de-brief
- Complaint handling mechanism in the Law.

## **6. MONITORING OF SMEs PARTICIPATION**

Each MDA will submit to the PPA the details of contracts awarded by the MDA on monthly basis. The details will be published on the PPA website. The following information will be provided for each contract:

- Description of the contract
- The names of the bidders
- The number of persons employed by the bidders
- The winning bidder and state if the winning bidder, is an SME.

The PPA will also provide training to the MDAs on the application of this guideline.

**Mr. Onafowote, Fatai Idowu**  
**General Manager**