

Small and medium enterprise procurement target

Queensland Government Procurement

This document will be progressively reviewed as part of
Buy Queensland 2023 implementation.



Queensland
Government

Small and medium enterprise procurement target

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Contact us

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Context

The Queensland Government is committed to assisting small and medium enterprises (SMEs) to access and win government business for the supply of goods and services. SMEs, particularly small businesses, are integral to Queensland's economic prosperity, playing a significant employment and economic role in local communities throughout the state.

SMEs employ around 67% of Queensland's total private sector workforce.¹ A thriving Queensland economy is underpinned by a resilient and growing SME sector that is well positioned to access new market opportunities, innovate, scale-up and create high quality jobs.

Small businesses, due to their regional and local economic and employment impacts, are critical to supporting the post COVID-19 recovery. SMEs can provide flexibility, responsiveness from sourcing locally and a tailored quality service.

The Queensland Government's SME procurement target requires all agencies subject to the Queensland Procurement Policy (QPP) to collectively source at least 25% of the State's procurement spend by value from Queensland SMEs from 1 July 2020, increasing to 30% by 30 June 2022. The target delivers on the action in the [Queensland Small Business Procurement Commitment – Action Statement](#) to establish a measurable target to drive an increase in small business participation in procurement activities across government.

Purpose

This guidance aims to support government buyers to meet the Queensland Government's SME procurement target, and to maximise SME participation in government procurement.

What is a Queensland SME

The Queensland Procurement Policy sets out the definition of an SME as outlined by the [Australian Bureau of Statistics](#). An SME is therefore defined as any business employing less than 200 people².

A business is a single legal entity such as a registered company, partnership, trust, sole proprietor, religious organisation, government department or any other legally recognised organisation which provides goods or services. Each business' Australian Business Number (ABN) is regarded as a single business. Size is determined by the number of employees under an ABN.

For the purposes of the target, '**Queensland SME**' means an SME that has registered its main business location as Queensland, with the [Australian Business Register](#).

¹ Queensland Department of Employment, Small Business and Training, *Advancing Small Business Queensland Strategy 2016-20*, p 3, <https://desbt.qld.gov.au/small-business/strategic-documents/advancing-small-business-queensland>

² A small business is defined as a business employing less than 20 people. A medium business employs 20 or more people but less than 200.

What are the benefits of using SMEs?

In addition to supporting Queensland jobs and driving positive economic and social outcomes for Queensland communities, there are a number of benefits for government in doing business with SMEs as outlined in **Table 1**. These include lower transactional costs, potential for more responsive customer service, and more innovative and sustainable procurement solutions.

Table 1: Benefits of using SMEs

Benefit	Description
Lower costs	<ul style="list-style-type: none"> Involving a greater range of suppliers (in terms of size and capabilities) creates an environment of 'competitive tension' which can promote downward pressure on prices charged by all suppliers in the market. SMEs have generally lower administrative overheads and management costs than larger firms. Depending on the nature of the procurement, this can result in lower prices.
Quality of service	<ul style="list-style-type: none"> SMEs generally have short management chains and approval routes, so they can respond quickly to changing requirements. SMEs may also be highly focused on particular markets, making them particularly responsive to changes in those markets. Being a large customer of a small business means your business is important to the SME. This can result in a better, and often more personal, level of service and a better relationship with the supplier. The SME may also be more willing and able to tailor a product or service to meet specific customer needs than a large firm that sells an established offering. Many SMEs supply higher quality specialist products or services than larger suppliers, either because larger suppliers are discouraged by the limited demand, or because the SME has skills, knowledge and commitment in that field.
Innovation	<ul style="list-style-type: none"> SMEs can bring innovation, for example, through the early adoption of new technology, sustainable practices and alternatives, providing products or services in new or underdeveloped markets or by using innovation to differentiate themselves from established market players.³

SME procurement target

What is the target?

The SME procurement target requires all agencies (budget sector agencies, statutory bodies, government-owned corporations (GOCs) and special purpose vehicles (SPVs)) subject to the QPP to collectively source at least 25% of procurement by value from Queensland SMEs from 1 July 2020, increasing to 30% by 30 June 2022.

The target is set at an aggregate level across all Queensland Government agencies to allow for variability within agencies and procurement categories. Performance against this target will initially be reported at

³ The Office of Government Commerce (OGC), '[Smaller supplier...better value?](https://webarchive.nationalarchives.gov.uk/20110812065650/http://www.ogc.gov.uk/documents/CP0083_Small_supplier_better_value.pdf)', Best Practice Guidance, pp. 6–7, https://webarchive.nationalarchives.gov.uk/20110812065650/http://www.ogc.gov.uk/documents/CP0083_Small_supplier_better_value.pdf

an aggregated level for budget sector agencies, with reporting progressively expanded to include GOC, statutory body and SPV results at a date to be advised by –Queensland Government Procurement.

Why do we have the target?

The Queensland Government recognises that SMEs are vital to Queensland's economy, regional prosperity and job creation. Their size makes them particularly vulnerable to the disruption caused by events such as COVID-19. In line with the [Unite and Recover: Queensland's Economic Recovery Plan](#), SMEs are recognised as critical to the state's economic recovery.

In increasing SME participation, the target:

- is consistent with *Buy Queensland*, which aims to support local jobs and businesses
- reinforces the Queensland Government's commitment to supporting SMEs
- aims to stabilise existing procurement spending with SMEs during COVID-19 and the recovery period
- supports security, growth and cash flow of local supply chains, supporting local business sustainability
- helps to increase confidence of the SME sector, diversification of supply base, innovation and competition
- drives greater awareness for government buyers and supports SMEs to access new markets.

Increasing SME participation – requirements for category strategies

The target requires each of the six procurement categories to put strategies in place to grow procurement by value from Queensland SMEs, including from manufacturing SMEs. **Table 2** below lists each of the six procurement categories, along with the respective lead agency.

Table 2: Procurement categories and lead agencies

Category	Lead agency
Building Construction and Maintenance	Department of Energy and Public Works (DEPW)
General Goods and Services	
Information and Communication Technology	
Medical Goods and Services	Queensland Health
Social Services	Department of Communities, Housing and Digital Economy
Transport Infrastructure and Services	Department of Transport and Main Roads

Lead agency category teams are required to develop category strategies for endorsement by the relevant category council (Clause 6.3 of the QPP). These strategies are also to include identified subcategory SME spend targets, to achieve the overall SME procurement target. The strategies are developed in consultation with each category's Industry Reference Group, and approved by the Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement on recommendation by the Minister responsible for the relevant category. For more information on procurement categories, please refer to the [Procurement governance](#) ForGov webpage.

Category strategies inclusive of targets and supporting measures, are required to be fully implemented by agencies from 1 July 2021.

While the QPP requires budget sector agencies to take category strategies into account in their procurement planning activities (Clause 6.4), GOCs, statutory bodies and SPVs are strongly encouraged to leverage initiatives developed from relevant category strategies, or determine other mechanisms to best meet the target, as part of their procurement planning.

Key measures that can be considered at the category level, as well as the strategic sourcing level, are detailed later in this guide.

Key measures to increase SME participation

There are many ways to enhance SME participation, from strategic measures through to tactical approaches. This section focuses on three key measures which can be used at category and strategic sourcing level. These include:

- set-asides
- establishing thresholds up to \$250 000, under which at least one Queensland SME must be invited to quote or tender
- market development strategies.

Applying these measures can help to grow capable and competitive Queensland SMEs. These SMEs can then become 'tender ready' for government or participate in supply chains for larger suppliers to government, building their capability and positioning them more favourably to win work with the public or private sectors. In turn, government benefits from a more competitive and diverse supply pool.

Set-asides

Set-asides involve reserving or 'setting aside' certain government procurement contracts for specified types of businesses, for example, SMEs, Aboriginal or Torres Strait Islander businesses, social enterprises and so on. That is, only the businesses which meet the characteristic identified in the set-aside will be invited to quote or tender in the first instance.

Agencies are to list set-asides on the [Queensland Government Forward Procurement Pipeline](#), to provide visibility of these opportunities to the targeted supply market and encourage their participation.

Set-asides can be applied for certain subcategories or procurements where only SMEs will be invited to participate. Agencies could also consider set-asides for Queensland SMEs in terms of the complexity of the procurement, for example, setting-aside routine procurement (low value and low risk) for Queensland SMEs wherever possible.⁴

An analysis of the supply market, including outcomes of early market engagement, will establish the capacity for supply by capable and competitive SMEs. It is important any set-aside process encourages competition among eligible businesses and ensures a value for money outcome. Set-asides could be broad (eg eligibility to tender is based on being an SME) or targeted (eg certain SMEs are identified and invited to tender). For more information on conducting supply market analysis to inform a decision to apply set-asides to a procurement, please refer to the supply market analysis⁵ guidance materials.

Set-asides should not be used where no suitable SME can be identified in the market analysis stage. This situation may be an indicator that a supplier development strategy could be applied.

In addition, agencies are not required to award a procurement as a result of the set-aside process if no business is evaluated as representing value for money, or as having the necessary capability or capacity to supply.

⁴ The Value Risk Matrix contains more information about classifying procurement in terms of complexity. Refer www.forgov.qld.gov.au/use-valuerisk-matrix.

⁵ Refer www.forgov.qld.gov.au/search-procurement-resources/supply-market-analysis.

Set-asides should not be considered as an imposition but rather as an opportunity to support SME development in partnership with government. SMEs can benefit from a constructive approach to procurement and in these cases, the spirit and intent of the initiative is a significant part of the value for money equation. Additionally, as COVID-19 has demonstrated, setting aside a percentage of procurement for Queensland SME manufacturing can diversify and strengthen supply chains to help them to weather events such as COVID-19 or natural disasters.

When you might use this measure

Set-asides are useful tools when seeking to target procurement to certain cohorts of suppliers, for example, SMEs, social enterprises or Aboriginal and Torres Strait Islander businesses, to increase their participation in government procurement. Category strategies will nominate when set-asides might be used. In addition to this, your agency may elect to set-aside certain procurement for SMEs where a capable and competitive SME market exists which can deliver value for money results.

Where a decision is made to use set-asides, you must list these on the [Queensland Government Forward Procurement Pipeline](#), which will help the target supply market to prepare for these opportunities.

Your supply market analysis will inform whether a set-aside is a viable approach to take, and how it should be rolled out, for example, inviting certain SMEs to tender, or making it a condition of tender that only SMEs are eligible to participate.

If limiting eligibility to SMEs, make sure your tender documentation clearly sets out eligibility to tender. If you are using industry briefings, be clear that the procurement, or elements of a larger procurement package or program, will be limited to SMEs only. It can be helpful to ensure your tender documentation and any related communications clearly set out the government's commitment to participation by SMEs and the target, to give context to the set-aside.

Inviting at least one Queensland SME to quote or tender

Inviting at least one Queensland SME to quote or tender for new procurement valued at \$250 000 or less is a way of supporting accessibility to procurement opportunities. Using thresholds is a simple way of giving buyers clarity.

The QPP (Clause 2.1) requires that at least one regional and one Queensland supplier, where possible, is invited to quote or tender for every procurement opportunity. Note that one supplier that is both a Queensland SME and regional would meet this requirement. This clause should be reinforced in category strategies.

When you might use this measure

This is a useful measure to consider applying at category strategy level as well as incorporating in agency procurement procedures alongside existing requirements of Clause 2.1 of the QPP.

A review of category or agency level spend will reveal areas to target for inviting at least one Queensland SME to quote or tender for new procurement valued at \$250 000 or less, noting that this measure does not limit the ability of categories and agencies to invite Queensland SMEs to quote or tender at values higher than \$250 000.

Using a value threshold - examples

- For procurement of up to \$10 000*, one supplier who is a Queensland SME, will be invited to quote.
- For procurement between \$10 001* and \$100 000*, three suppliers will be invited to quote, of which at least one supplier must be a Queensland SME, wherever possible.
- For procurement between \$100 001* to and \$250 000, at least one supplier who is a Queensland SME, will be invited to quote or tender wherever possible, regardless of whether the procurement method used is limited or selective.
- Ensure open tender opportunities are promoted to Queensland SMEs to increase the proportion of these suppliers that tender.

** Note that the values used in this table, with the exception of the \$250 000 approved by Executive Government, are hypothetical examples only and are not intended to imply that categories or agencies must use these specific values. Categories and agencies will tailor value thresholds to their own circumstances and are encouraged to consider including SMEs regardless of procurement value.*

Market development strategies

Market development initiatives involve procurement identifying a need to create a market, or enhance existing markets, and deploying strategies to ultimately deliver better supply options including things like diversification, competition and an expanded range of supply options, for example, new technologies. Developing local markets can help increase government procurement investment in Queensland by better utilising capable and competitive SMEs.

Generally, market development is a strategic activity, involving skilled supplier relationship management, and ideally, should be under consideration well before formal planning for a specific procurement takes place. COVID-19 has shown that market development, including 'pivoting' existing suppliers to new lines of supply, can also take place rapidly and in a dynamic environment.

When you might use this measure

Market development can be beneficial where there is a monopoly or distorted market, and a lack of competitive tension, or an over-reliance on a single supplier. It also has a role when government seeks to harness an emerging technology or industry, and in supporting start-ups to grow and form viable and competitive local markets – for example, in the biomedical field.⁶ The COVID-19 situation has clearly demonstrated the essential role that Queensland supply market development can play in addressing supply chain vulnerabilities.

If an opportunity for market development is identified, consider partnering with other agencies and / or seeking advice from the Department of State Development, Infrastructure, Local Government and Planning, and Department of Regional Development, Manufacturing and Water to deliver market development initiatives to improve supplier performance and grow capable and competitive local SMEs including manufacturers, that can meet government procurement needs.

Encourage major suppliers to source from local manufacturers and SMEs. This not only supports existing supply and standing offer arrangements, but access to these extended supply chains can provide greater market opportunities for Queensland SMEs including manufacturers, than that offered by the Queensland Government alone.

If market development is an option you intend to pursue, involve your agency's strategic procurement team early. Other sources of support are set out in 'Getting started' below.

⁶ For a fuller illustration of this concept, refer to the Queensland Biomedical 10-Year Roadmap and Action Plan at <https://www.statedevelopment.qld.gov.au/industry/priority-industries/biomedical>.

Case study – market development

Early in the COVID-19 emergency, the then Department of State Development, Manufacturing, Infrastructure and Planning together with the Department of Housing and Public Works and Queensland Health worked to increase the availability of locally manufactured Personal Protective Equipment (PPE).

Prior to COVID-19, Queensland Health sourced all PPE from outside Queensland including overseas. COVID-19 disrupted the existing supply chains leading to critical shortages of many products, particularly face masks and hand sanitiser.

Manufacturing of PPE for clinical use is subject to regulations to ensure that the products are safe to use. In the case of hand sanitiser, the World Health Organisation provided a formulation effective for use against COVID-19 that required 80% ethanol. Fortunately, while ethanol supplies were disrupted by COVID-19, Queensland-based Bundaberg Rum donated 100 000 litres of ethanol for use by the Queensland Government.

The three departments worked together to develop a two-pronged approach – to work with local businesses to help them to pivot to manufacture hand sanitiser. As a result, three Queensland SMEs were able to supply clinical grade hand sanitiser to Queensland Health.

The outcome was that sufficient supplies were available from existing and new sources to address the shortages, and local suppliers providing an alternative supply means Queensland is reasonably assured of continuity of supply. The other notable outcome is the local SME suppliers are, on average, able to supply clinical grade hand sanitiser to an identical formulation for \$1 per litre less than existing suppliers.

Other tactics to increase SME participation

In addition to the key measures described above, there are a range of practical steps and tactics that buyers can take in each stage of procurement to maximise opportunities for Queensland SMEs to participate in government procurement.

As a government buyer, the approach to increasing SME participation will depend on:

- the nature, objective, risk, value and complexity of the procurement
- any applicable category strategies
- any applicable agency procurement plans, policies and procedures.

Table 3 below outlines steps and tactics which can be used in conjunction with the more strategic level measures described above.

Table 3: Tactics for increasing SME participation in government procurement, by procurement stage

Procurement stage	Tactic
Planning	<ul style="list-style-type: none"> • Consider unbundling (breaking up) large projects or contracts to maximise opportunities for SMEs. This helps SMEs to participate and build their capacity to effectively quote for tenders. For example: <ul style="list-style-type: none"> ○ remove a portion of sites/regions from a standing offer arrangement and only invite SMEs to tender for those specific sites/regions ○ identify a portion of sites/services within a project and request the contractor to invite SMEs to tender. • Identify capable SMEs by engaging with industry bodies and conducting market scans. Consider engaging a provider from the Supply Chain Services Standing Offer Arrangement (DSDMIP-0972-18) to advise on unbundling of work packages, identify and put forward capable Queensland SMEs, undertake online expressions of interest, or run project information sessions to raise awareness of project opportunities. Communicate effectively with SMEs

Procurement stage	Tactic
	<p>by tailoring request for quotations and tender documents to suit industry sectors.</p> <ul style="list-style-type: none"> • Conduct early market engagement (e.g. industry briefings, ‘meet the buyer’ forums). This provides an opportunity for the market: <ul style="list-style-type: none"> ○ to be informed that you are looking to increase the participation of Queensland SMEs, and gives suppliers an opportunity to ask questions ○ to form industry connections to partner, sub-contract and/or include Queensland SMEs in their supply chain. • Better understand future opportunities to procure from SMEs. • Recognise that value for money is a careful comparison of whole-of-life costs, social and economic benefits, ‘fitness for purpose’, alternatives and the outcome being sought. SMEs can offer value for money through innovation, flexibility, customer service and increased local competition.
Going to Market	<ul style="list-style-type: none"> • Request that suppliers identify as small, medium or large in quoting and tender processes. • Develop outcomes-based, rather than prescriptive, specifications. If more prescriptive specifications are required ensure these do not unreasonably act as a barrier to SME participation. Also limit the number of mandatory criteria to only those things that are genuinely required. • Carefully consider insurance requirements in terms of value and risk, to ensure they are reasonable. • Emphasise the importance of maximising Queensland SME participation by outlining in evaluation criteria that it is highly desirable that Queensland subcontractors or other Queensland suppliers are used where the capability exists, particularly when demonstrating local benefit. • Consider time and cost by streamlining quotation and tender processes, providing SMEs with sufficient information and allowing sufficient time for SMEs to respond to opportunities. For example: <ul style="list-style-type: none"> ○ clearly outline tender response requirements (e.g. mandatory and desirable evaluation criteria, response format, required evidence) ○ develop response schedules or forms to assist SMEs in structuring and responding to the tender ○ use short-form invitation and contract terms and conditions where appropriate. • When going to market using standing offer arrangements, identify businesses which are SMEs and invite them to quote.
Evaluation/award	<ul style="list-style-type: none"> • Provide quality feedback to unsuccessful and successful suppliers. • Raise awareness of the resources and support offered on the Business Queensland website, at www.business.qld.gov.au, to help SMEs improve their capability and competitiveness.
Contract Management	<ul style="list-style-type: none"> • Ensure commitments made in the tender/quote are delivered during the term of the contract through contract management activities (e.g. actively monitoring and reporting on KPIs, site visits).

Case study – increasing use of SMEs and unbundling large contracts

QBuild led a procurement process which enabled the delivery of a construction project for six one-bedroom apartments at 212 Taylor Street, Newtown, as part of the Social Housing Construction Program.

The initial tendering strategy was to use a large 'bundled' contract to deliver on the project. Under the approach, the contract would be delivered by a principal contractor via sub-contracting delivery of specific portions of the contract to sub-contractors.

In recognition of the local benefits of increasing the use of local SMEs (e.g. supporting local jobs and the community), QBuild re-assessed the tendering strategy with a focus on engaging local contractors through 'unbundling' the contract into more manageable packages matched to the capability and capacity of the local supply market. This pivot in focus was underpinned by a supply market analysis of local contractors identified through registered databases, online searches and canvassing the local market.

QBuild went to market with 14 tender packages which were all awarded to local contractors. Contracts with updated conditions were used in engaging successful tenderers. As a result, the construction project was delivered five months ahead of schedule, with over 1 700 apprentice hours logged.

As part of reviewing the procurement, it was identified that some smaller trade suppliers (e.g. tilers, plasterers) were deterred from participating in the procurement given the contracts used were designed for medium works. In response, QBuild has developed new contracts commensurate with the value and risk of the services provided by smaller trade suppliers. This has increased accessibility for small businesses, and lead to better responses in subsequent procurements.

Common barriers to SME participation in government procurement

While incorporating tactics to enhance SME participation, buyers should also consider their procurement approaches from the perspective of removing barriers to SME participation. Further information on common barriers to SME participation in government procurement and suggested alternative strategies to overcome these are outlined in **Appendix 1**.

The role of awareness raising and education

Buyers play an important role in educating SMEs on where to find opportunities to supply government, or to build their capability. This in turn, builds the number of capable suppliers and a more competitive market – delivering longer term benefits for government and the community. More information on where to find support or opportunities is discussed in **Table 4** below.

Table 4: Assistance for SMEs in building capability, and finding procurement opportunities

Topic	Resource and link
Identifying tender opportunities	<ul style="list-style-type: none"> General tender opportunities by local, state and federal governments – www.business.qld.gov.au/running-business/marketing-sales/tendering/improve-approach/capability/search-government-tenders
Building capability to help become 'tender ready' for government	<ul style="list-style-type: none"> Business Queensland website www.business.qld.gov.au, search for 'improve your tender approach' Register for a Tendering for business workshop or webinar via www.statedevelopment.qld.gov.au/news-and-events/events-and-workshops.html
Queensland Government Forward Procurement Pipeline	<ul style="list-style-type: none"> The interactive dashboard can be found here qtenders.hpw.qld.gov.au/fpp/

Topic	Resource and link
Getting leads on existing government contracts, including expiry dates, and contact information	<ul style="list-style-type: none"> Queensland Contracts Directory qcd.govnet.qld.gov.au/Pages/qcdsearch.aspx
Register with QBuild	<ul style="list-style-type: none"> Business Queensland website www.business.qld.gov.au, search for 'QBuild'
Prequalify for government building projects	<ul style="list-style-type: none"> Business Queensland website www.business.qld.gov.au, search for 'PQC'
Small business resources, including links to capability initiatives, events and newsletters	<ul style="list-style-type: none"> Business Queensland website www.business.qld.gov.au, search for 'small business' On-time Payment Policy and On-time Payment Small Business Register https://www.business.qld.gov.au/starting-business/advice-support/support/small-business/on-time-payment-policy/on-time-policy

Finding SMEs

Traditional supply market analysis will help you understand the composition of the local market. Some resources and tools you can use to help you find SMEs include:

- use the [Black Business Finder](#), access a [Supply Nation](#) subscription, or contact a Department of Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships regional office for lists of Aboriginal and Torres Strait Islander businesses
- for food and beverage suppliers, consult the [Queensland Government Food and Beverage Supplier Directory](#)
- for social enterprises, access the [Social Traders Portal](#)
- contact the regional offices of the Department of State Development, Infrastructure, Local Government and Planning – they maintain databases of Queensland suppliers
- for large projects, or specialised procurement, consider releasing an Expression of Interest
- use the whole-of-government [Supply Chain Services Standing Offer Arrangement \(DSDMIP-0972-18\)](#) which lists providers that can assist in developing procurement strategies and identifying capable local SME suppliers and manufacturers. The SOA is managed by the Department of State Development, Infrastructure, Local Government and Planning
- talk to industry associations, which maintain membership lists
- conduct early market engagement.

Application of QPP and other requirements

When developing and applying measures to support SMEs, all requirements of the QPP, including the Ethical Supplier Threshold, Ethical Supplier Mandate, Best Practice Principles and Local Benefits Test where they apply, must still be applied to procurement. A focus on integrity and ensuring probity and accountability should be maintained when undertaking all procurement activities.

Further information on the Ethical Supplier Threshold, Ethical Supplier Mandate, Best Practice Principles and Local Benefits Test can be found in the [Procurement guidance ForGov webpage](#).

When developing procurement strategies for ICT goods and services, procurement officers must also comply with the requirements of the [ICT SME participation scheme policy](#), which establishes requirements for ICT procurement to support ICT SMEs. Under the SME Access Incentive provisions of the [ICT SME participation scheme standard](#), agencies can directly engage an SME for the provision of solutions, up to the value of \$500 000, that demonstrate value for Queensland in addressing government priorities.

Reporting

The target is set at an aggregate level across all Queensland Government procurement categories to allow for variability within individual procurement categories. Each agency is accountable for contributing to meeting the aggregate target, and complying with reporting requirements as communicated by Queensland Government Procurement, to measure progress against the target. This includes establishing internal systems, processes and procedures as required to achieve compliance with this guidance.

A note about determining procurement spend for the purposes of the target

Procurement spend is identified through general ledger codes. The following are not considered procurement spend for the purpose of the SME target:

- liability, equity and revenue transactions
- cash assets
- grants and subsidies
- employee salaries and on-costs
- budget and accrual accounts
- borrowing costs
- allowances and other payments employees
- asset revaluation increments or decrements
- adjustments and write-off transactions
- clearing and holding account transactions
- ex gratia payments
- dividend payments
- bank and QTC fees and charges (including corporate card fees)
- board member payments
- fees, penalties, taxes, fines and forfeitures
- losses and depreciation
- rebates and refunds
- accumulated amortisation
- system driven accounts
- sponsorships, donations and gifts
- disaster relief and recovery
- juror expenses.

Where to get more help

Industry development support

The Department of State Development, Infrastructure, Local Government and Planning manages the Supply Chain Services Standing Offer Arrangement and can assist major and regionally significant projects with industry development including supply chain services. To view providers on the Supply Chain Services SOA please go to [Supply Chain Services Standing Offer Arrangement \(DSDMIP-0972-18\)](#).

Support can also be accessed through arrangements with the [Industry Capability Network](#). This can include, but is not limited to:

- working with major project proponents and major contractors to break down packages and seek market interest through online supply opportunities.

- undertaking project information sessions to maximise supplier awareness of opportunities throughout the project.
- supply market analysis to identify the depth of the local supply market.

Category level support

Category lead agencies can assist with information about category plans and strategies, including measures to support the SME procurement target at category level.

For more information, go to <https://www.forgov.qld.gov.au/procurement-governance-framework>.

Resources for SMEs

The Department of Employment, Small Business and Training provides a range of resources to support SMEs. For more information and resources that may assist prospective SME suppliers including information about supplying to government, please go to www.business.qld.gov.au/starting-business/advice-support/support/small-business.

Appendix 1: Barriers to SME participation and alternative strategies

Table 5 below outlines common barriers to SME participation in government procurement and suggested alternative strategies to overcome these.

Table 5: Examples of barriers to SME participation and suggested alternative strategies

Barrier	Alternative strategy
There may be a trend towards aggregated and/or bundled contracts which are too large and include too many diverse products or services.	Ensure SME viewpoints are considered early in the procurement process (refer to the 'Market sounding' section of the Planning for significant procurement guide) and use this feedback to refine the size, scope and specification of requirements. Consider the advantages of dividing aggregated requirements into more manageable lots matched to the capabilities and capacities of the market—noting that coordination/aggregation of demand does not necessarily mean that consolidation of supply is the best strategy.
Burdensome and over-complicated tendering procedures are highly costly for SMEs as they are unlikely to have the capacity to carry high overheads, such as maintaining a tender development team for prolonged periods of time.	Ensure the size and scope of a tendering exercise matches the size and scope of the requirement and ensure tender documentation is as simple and jargon-free as possible.
Over-specification of requirements which are often weighted towards particular solutions rather than outcomes, limiting innovative tender responses.	A focus on outcomes rather than on large numbers of detailed technical requirements is more likely to encourage SMEs to bid. Outcome-based procurement enables SMEs to understand what government is trying to achieve and allow them to contribute ideas and solutions on how best to achieve the objectives.
Pre-qualification criteria which, in pursuit of mitigating risk, requires suppliers to have unrealistic levels of previous experience and a track record in government procurement.	Ensure that the pre-qualification criteria matches the risks associated with the requirements and the supply market, and that the weightings have a meaningful relationship to the risks being mitigated. For example, weighting the criteria in favour of companies with a large revenue base and longstanding experience in large-scale projects may not be relevant to a requirement where an innovative solution is required, in an environment characterised by rapid technological change. In this instance the flexibility of a smaller, more agile business may be less inherently risky than a large conglomerate. ⁷
Awareness of procurement opportunities.	Increase opportunities to reach SMEs through industry organisations, information sessions, enhancing visibility of upcoming procurement opportunities, and encouraging large suppliers to engage with SME sub-contractors.
Excessive insurance requirements not matched to the value and risk of the procurement, can increase the cost of the supplier's proposal and create a barrier to entry.	Tailor requirements by conducting a risk assessment and identifying insurable risks, determine the appropriate insurance cover type and period, and determine the minimum level of insurance cover required.

⁷ The Office of Government Commerce (OGC), '[Smaller supplier...better value?](#)', Best Practice Guidance, pp. 8–16, https://webarchive.nationalarchives.gov.uk/20110812065650/http://www.ogc.gov.uk/documents/CP0083_Small_supplier_better_value.pdf