

Public Procurement as a Mechanism of SME Support

Small and medium enterprises (SME) play a vital role in the social and economic development of any country: it supports the competitive environment, creates jobs, expands consumer demand, opposes monopoly and introduces innovations. Today there are more than 6 million small and medium enterprises in Russia, whose activities account for 15% of the country's GDP. Nowadays support of SMEs has become one of the most crucial areas of Russian economic policy. Government support programs for SMEs include measures aimed at limiting administrative pressure, simplifying licensing, concessional lending, and improving the access of SMEs to procurement of goods, works and services. The market of public procurement in Russia is estimated at approximately 34 trillion rubles (44 FL and 223 FL), which is 25% of countries GDP. All the preceding arguments indicate that the public procurement system in Russia is an important tool for developing the potential of SMEs. Our research tries to identify the efficiency of governmental policy in supporting SMEs through public procurement mechanisms in 2017. After analyses of approximately 60 Russian and foreign papers, we decided to do econometric research in this sphere. We try to measure policy efficiency through the indicator – rebate, which is the difference between residual and actual prices in every procurement procedure (in %).

We assume that rebates in procedures, where only SMEs participate (set-aside procedures) are more or equal than in procedures where not only SMEs participate (note: we look not only at the e-auctions). If this inequality is true, we may say that governmental policy is efficient (from position of contracting authorities (CA)). We suppose that rebate is an economic function of three groups of variables (regional factors, CA characteristics, contract indicators). We analyze continuous sample of 720 CA's from federal, regional and municipal level from 40 regions RF resulting in 22 325 observations in 2017 (44 FL and 223 FL together).

After eliminating all outliers we have 21 910 observations from all CA levels and 40 regions RF. We evaluated 23 variables and built 7 linear model specifications, which were estimated by OLS. All models were robust (the Gauss-Markov assumptions were checked). The first specification was made in order to evaluate the significance of variable SA in both FL (1, if set-aside procedure, 0 – otherwise). We proved that with ceteris paribus assumption this variable was significant at 1% level in subsample of 44 FL and 223 FL. We divided our sample in two parts (SA=1, SA=0) and built regressions on each subsample in two laws.

After conducting regression analyses we obtained that federal districts (SibFO, CFO, PFO) have negative effect on rebate in set-aside procedures. Moreover, at federal level actual contract price is lower compared to regional and municipal. Furthermore, the more participants are in the procedure, the lower the actual price will be. The most pivotal result was that variable “winner” (1, if INN of supplier was repeated in the sample, 0 – otherwise) was also statistically significant, which means that the choice of procedure by CA (SA or not) depends on informal long-run interactions with suppliers.

The research may be useful not only for CA's, but for policy-makers in terms of improving the mechanisms of SME support. We plan to continue this research in the following aspects: 1) develop a design and mechanisms for specialized procurement procedures for SMEs, analyzing the impact of repeated suppliers through the whole sample; 2) conduct an analysis of policy efficiency in 2018, as well as consider pooled cross-section data; 3) develop a model for CA's optimal decision; 4) formulate and describe possible SME support policy adjustments.