# MONITORING

# PUBLIC PROCUREMENT AT THE LOCAL GOVERNMENT LEVEL









# REPORT NO. 9 MONITORING PUBLIC PROCUREMENTS AT THE LOCAL GOVERNMENT LEVEL

December 2016

PUBLISHER: Center for Civil Communications	
TRANSLATION IN ENGLISH LANGUAGE: ABAKUS	СІР - Каталогизација во публикација Национална и универзитетска библиотека "Св. Климент Охридски", Скопје 35.073.53:005.584.1(497.7)"2015/2016"(047)
GRAPHIC DESIGN: Brigada Design	МОНИТОРИНГ на јавните набавки на локално ниво : извештај бр. 9 : декември 2016 година Скопје : Центар за граѓански комуникации, 2016 24, 24 стр. : граф. прикази ; 17х20 см Насл. стр. на припечатениот текст: Monitoring public procurement at the local government
PRINTED BY: Propoint	level, report no. 9, December, 2016 Обата текста меѓусебно печатени во спротивни насоки Текст на мак. и англ. јазик ISBN 978-608-4709-43-5
CIRCULATION: 200 copies	а) Локална самоуправа - Јавни набавки - Мониторинг - Македонија - 2015-2016 - Извештаи COBISS.MK-ID 102296330

Free of charge/non-commercial publication

The present report is made possible by the generous support of the American people through the United States Agency for International Development (USAID) within the USAID Civil Society Project. The contents of this publication are the responsibility of the Foundation Open Society – Macedonia and the Centre for Civil Communications and do not reflect the views of USAID or the United States Government.

### TABLE OF CONTENTS

Introduction: Goals And Methodology	5	
Summary	7	
Market Research For Technical Specifications Is Mission Impossible, Same As Obtaining Approval From The Council In First Attempt	8	
Could Prices Go Any Lower?	11	
Tender Annulments Pick Up In Frequency	15	
Competition In Local Tender Procedures Remains At The Level Of Less Than Three Bidding Companies	19	



### INTRODUCTION: GOALS AND METHODOLOGY

he Center for Civil Communications (CCC) is regularly monitoring the implementation of public procurement procedures in Macedonia from 2008 onwards, i.e. from the entry in effect of the new Law on Public Procurements, drafted in line with the European Commission's Directives. The purpose of monitoring activities is to assess whether and to what extent state institutions adhere to the general principles underlying public spending, as stipulated in the Law: competition among companies, equal treatment and non-discrimination, transparency and integrity in implementing public procurements, as well as cost-effective and efficient use of public funds.

CCC's monitoring activities target procurement procedures organized and implemented by all state institutions countrywide, both on central and local level. Due to differences and specificities identified between central and local institutions in relation to implementation of public procurements, from 2010 onward local and central level procurements are monitored separately. Namely, this endeavour resulted in collection of more detailed and significant insights that can be used by all interested parties with a view to promote and improve the manner in which public procurement are organized and implemented and

guarantees compliance with the Law and application of general principles governing the public procurements.

This report is prepared on the basis of monitoring results from a sample of 40 public procurements implemented by local institutions across Macedonia, in the period from 1 October 2015 – 31 March 2016.

The monitoring sample was selected from public procurements announced in the Electronic Public Procurement System (EPPS) and the Official Gazette of the Republic of Macedonia. Moreover, the selection process made due account of the need to make broad, diverse and equitable coverage of institutions (local self-government units and local institutions under their jurisdiction, such as public enterprises, schools, kindergartens, etc.), different type of procurement procedures (bid-collection, open procedures, etc.), different types of contracts (goods, services and works) and different procurement subjects, as well as equitable geographical distribution of institutions whose public procurements are subject to monitoring activities.

The monitoring process is carried out by collection of primary and secondary data, including CCC monitors' at-

tendance at public opening of bids, interviews with bidding companies, browsing and searching EPPS database, researching information on appeals lodged in front of and decisions taken by the State Commission on Public Procurement Appeals (SCPPA) available on its website and by means of Freedom of Information (FOI) applications requesting information that is otherwise unavailable. Questionnaires and other forms used as part of the monitoring process are structured in a manner that enables the most effective monitoring of public procurements in terms of compliance with the legislation and adherence to general principles governing the public procurements.

Data and information collected are fed into a previously designed and structured matrix, which allows analysis of public procurements in terms of compliance with above referred principles, including competition among companies, equal treatment and non-discrimination, transparency and integrity in organization and implementation of public procurements, as well as cost-effective and efficient use of public funds.

Once data are analysed and processed, the report is drafted with key monitoring findings and analysis of public procurement procedures, accompanied with recommendations aimed to address identified problems and weakness in the system of public procurements, and detailed elaboration of observed state-of-affairs.



The Center for Civil Communications (CCC) was established in April 2005 as a non-governmental, non-profit and non-partisan citizens' association. CCC's mission is to develop and improve communications among all societal actors in Macedonia and to inform them about various processes of broader significance. CCC monitors, analyses and strengthens democratic processes in the country and in the region, especially those related to anticorruption and good governance, media and economic development. To present, CCC focused its work on two groups of interrelated activities: (1) monitoring of state institutions and, on that basis, recommending measures and policies aimed at promoting their work and narrowing the space for corruption; and (2) enhancing the abilities of journalists and the special role played by the media and non-governmental organizations in the fight against corruption. In this regard, CCC - to present - has drafted and proposed several hundreds of specific recommendations concerning measures that need to be taken to promote the legislation and practice aimed at more transparent, accountable and responsible operation on the part of central and local authorities; has trained over five hundred journalists from both, national and local media outlets, as well as representatives of civil society organizations; and has published around forty research studies and manuals.

#### **SUMMARY**

arket research which all contracting authorities must conduct in order to demonstrate existence of sufficient number of manufacturers in the country and abroad for goods they wish to purchase is almost impossible to be implemented. Unable to conduct market research, entities procuring goods must apply for previous approval from the Council of Public Procurements. This Council most often issues approval in second attempt. That happens in 80% of tender procedures from the monitoring sample in which approval has been sought. In 10% of cases, such approvals were granted only after the third attempt, and remaining 10% received approval in their first attempt.

Each monitoring sample includes numerous examples of tender procedures in which prices attained by means of e-auction are extremely low and bring under question not only quality of goods or services delivered, but also their quantity. The fact that data on procurement contract performance are not made publicly available is truly detri-

mental, and institutions do not disclose these documents even in cases when such information is requested in compliance with the Law on Free Access to Public Information. Such data would allow insight in services/goods being procured and quantities delivered under utterly incomprehensible prices attained in some tender procedures.

While competition in tender procedures implemented at local level remains low with an average of 2.8 bidding companies per tender procedure, the share of tender procedures marked by one or no bids submitted continues to decrease. The average number of bidding companies throughout monitoring years is calculated at 2.6.

After minor drop observed in the previous six-month period, the share of annulled tender procedures has again reached an above-average level. Reasons thereof are various, but the most dominant reason for tender annulment implies the fact that the public procurement committee has assessed that all bids received are unacceptable.

# MARKET RESEARCH FOR TECHNICAL SPECIFICATIONS IS MISSION IMPOSSIBLE, SAME AS OBTAINING APPROVAL FROM THE COUNCIL IN FIRST ATTEMPT

Market research which all contracting authorities must conduct in order to demonstrate existence of sufficient number of manufacturers in the country and abroad for goods they wish to purchase is almost impossible to be implemented. Unable to conduct market research, entities procuring goods must apply for previous approval from the Council of Public Procurements. This Council most often issues approval in second attempt. That happens in 80% of tender procedures from the monitoring sample in which approval has been sought. In 10% of cases, such approvals were granted only after the third attempt, and remaining 10% received approval in their first attempt. .

he monitoring sample includes numerous examples that confirm absurdity of requesting manufacturers in the country and abroad to provide conformation on producing goods that are being purchased by means of public procurements. On the contrary, when contracting authorities wish to anticipate eligibility criteria for tender participation they are obliged to conduct market research that has been successful in all cases, so they would not have to seek approval from the Council.

For the purpose of procurement of teaching and education aids and school materials for practical teaching organized by one secondary school, the officer responsible for public procurements conducted a market research targeting 23 manufacturers (15 domestic and 8 foreign) of these types of aids. Nevertheless, none of these 23 manufacturers confirmed that they produce required products. After the failed market research, the contracting authority had to apply for approval by CPP, which was issued in the second attempt.

In the procurement procedure for food intended for student dormitory and food kitchen for which the contracting authority informed that it had conducted a market research, the possibility for technical specifications to define details on quality of what is being procured had not been used, in particular knowing that it is a matter of food for children. Hence, technical specifications included: bread - 0.500 grams, cooking oil - 1 litre, macaroni - 500 grams, fresh minced meat, flour, sausages, fresh eggs in package of 30/1, etc. All these items, as described above, could be presented with products of variable quality and price, while matching the description. In that regard, for the purpose of obtaining such quality, bread to be purchased should be described in terms of ingredients, milk should be closely described in terms of percentage of fat, macaroni should include ingredients, it is important for minced meat and sausages to be described in terms of ingredients and what should they include, cooking oil could be made of various raw materials and could vary in terms of refinement, flour could be described in same manner, and eggs should be closely specified in terms of size, etc. The manner in which this procurement was defined leaves space for the bidding company that would be awarded the contract to deliver products that meet above-referred description, but underperform in terms of quality, with the ultimate goal of earning extra profit.

Moreover, share of tender procedures in the monitoring sample in which contracting authorities have defined eligibility criteria for tender participation, i.e. criteria for companies' financial and technical capacity, reached 100%, and they all conducted successful market research. This means that they have proved existence of sufficient number of bidding companies on the market that could meet said criteria, thereby avoiding the need to apply for approval from the Council of Public Procurements. In the previous monitoring period, this share accounted for 71%.

It should be noted that although market research resulted in obtaining positive confirmation from sufficient number of companies on fulfilment of defined eligibility criteria (at least four, five, six, and more companies), upon announcement of procurement notices the contracting authorities were presented with an average of 1.8 bids per tender procedure. This average cannot be considered satisfactory level of competition because it does not include the minimum number of bids for certain competition to take place, i.e. at least two bids.

The Figure below provides overview of competition in tender procedures in terms of whether they implemented successful market research, obtained previous approval or approval was not needed because there were no legal grounds for that or the contracting authority used standard tender documents.

Figure 1.

Average number of bids in the monitored tender procedures



It turns out that lowest competition was noted in tender procedures in which approval was requested and obtained from the Council of Public Procurements.

However, the monitoring sample included examples in which contracting authority organized procurement of catering services and, because it is a matter of services, approval for requirements defined in the technical specifications was not sought from the Council. Analysis of technical specifications for this procurement provides the conclusion that procurement items included various salads, yellow cheese, white cheese, meat and fish dishes, stews, pizzas, bread loafs, deserts, appetizers, alcoholic beverages, juices, coffee, tea, water, etc. In this regard, it is interesting to analyse whether some of these products could be subsumed as "service" because they clearly imply goods such as: lemon-based soda, cola-based soda, sparkling water in glass bottles of 0.25 litres, etc. In other cases, when certain contracting authorities purchased these types of products, the procurement procedure was organized for condiments, i.e. "goods", which are subject of different rules stipulated in the Law on Public Procurements.

Many procurement procedures continued practices whereby technical specifications do not indicate overall quantity of individual procurement items, but request companies to indicate unit prices. Problem in these cases includes the fact that companies do not know the quantities of individual procurement items planned by the contracting authority and cannot engage in any form of economic planning, i.e. establish prices depending on the quantity by applying economic logics that unit prices should be lower in cases of larger quantities, and vice versa.

Additional problem with these procurements is the fact that, independently from price reductions attained at e-auctions, contracts are signed under full amount of the procurement's estimated value. Logic applied by contracting authorities in these cases is unclear. Will they procure more products? How much did they need? If they knew the quantity needed (even as round estimate) for individual products and the procurement's estimated value was calculated on that basis, then in compliance with prices attained at e-auction the contract should be signed in lower amount.

Example thereof was seen in procurement of services related to fountain maintenance organized by one municipality. Although e-auction resulted in price reduction by 49%, the procurement contract was signed in the full amount planned, instead for instance in half of the amount planned. What does this mean? That the fountain will be maintained for longer period of time? That more chlorine will be used? In simpler terms, why the contracting authority did not indicate how much money is anticipated for individual items from technical specifications and request companies to submit bids for said items?

Identical is the example of the procurement organized for reconstruction works on playground. Irrespective of reduced unit prices attained at the e-auction, the contract was signed in the full amount and it remains unclear what would that mean in terms of contract performance.

#### **COULD PRICES GO ANY LOWER?**

Each monitoring sample includes numerous examples of tender procedures in which prices attained by means of e-auction are extremely low and bring under question not only quality of goods or services delivered, but also their quantity. The fact that data on procurement contract performance are not made publicly available is truly detrimental, and institutions do not disclose these documents even in cases when such information is requested in compliance with the Law on Free Access to Public Information. Such data would allow insight in services/goods being procured and quantities delivered under utterly incomprehensible prices attained in some tender procedures.

### VEHICLE TYRES AT UNIT PRICE OF 656 MKD!

his monitoring sample included many examples of such absurdity. It seems that most prominent is the example related to procurement of tyres and inner tubes for light, special and freight vehicles, as well as construction machinery, organized by one local utility enterprise. This procurement was divided in three lots, each concerning relevant type of tyres: light vehicles, freight and special vehicles, and construction machinery. Three companies submitted bids for each of the three lots defined. The course of e-auction could be best described as real-time "video game" and prices attained were so low so as to raise question whether the company awarded this contract would not deliver all tyres under all lots (quality is not even considered in this regard) or would willingly engage in complete and utter loss from performance of this procurement.

At downward bidding for the first lot on tyres for light-weight vehicles the initial price of 94,200 MKD was reduced to only 20,000 MKD (VAT excluded) for procurement of 24 tyres and 12 inner tubes as specified below, which means that the bidding company will have to deliver these tyres at average unit price of only 656 MKD! Yes, 20,000 MKD for total of 36 tyres!

**4 tyres: 145/80 – R13,** M+S, type TUBELESS, speed rating – min. T, load capacity – min. 75, fuel efficiency – max E, wet grip – min. C, noise emission – less than 76 dB or equivalent.

8 tyres: 175/75 - R16, type TUBELESS, M+S, speed rating - min. R, load capacity - min. 101/99, fuel efficiency - max E, wet grip - min. C, noise emission - less than 76 dB or equivalent.

4 tyres: 205/65 - R16, type TUBELESS, M+S, speed rating - min. R, load capacity - min. 107/105, fuel efficiency - max E, wet grip - min. C, noise emission - less than 76 dB or equivalent

4 tyres: 215/75 - R16, type TUBELESS, M+S, speed rating - min. Q, load capacity - min. 113/111, fuel efficiency - max E, wet grip - min. C, noise emission - less than 76 dB or equivalent.

**4 tyres: 225/50 – R16,** type TUBELESS, M+S, speed rating – min. H, load capacity – min. 91, fuel efficiency – max E, wet grip – min. C, noise emission – less than 76 dB or equivalent.

8 inner tubes: 145/80 – R13, inner tubes, V2 or equivalent

4 inner tubes: 175/75 – R16, inner tubes, V2 or equivalent

A simplified research on the market of tyres in Macedonia shows that under the lowest market prices for requested types of tyres (without taking into consideration whether they meet other required specifications), purchase of said 36 tyres would necessitate total of 72,920 MKD. In that, it is a matter of cheapest tyres that do not include all additional features required in terms of speed rating, load capacity fuel efficiency, noise emission, etc. Therefore, it seems that the bidding company would not only be unable to deliver all tyres at said amount of 23,600 MKD (VAT included), but they would most certainly fall short of required quality, unless it is prepared to cover losses in the amount of around 50,000 MKD only for this procurement lot.

Same situation was observed in respect to remaining two lots, where only in the case of the second lot concerning procurement of 172 tyres for special and goods vehicle (108 tyres and 64 inner tubes), the initial price set at 663,800 MKD was reduced to 299,000 MKD meaning that one tyre should be delivered at average price of 2,051 MKD! This is impossible and likely is that either all tyres would not be delivered or the bidding company will suffer major losses.

Similar practices were observed in next three procurements for construction works organized by three different municipalities. All three tender procedures were marked by significant price reduction during e-auctions by almost half from initially bided prices, but also from estimated values of said procurements.

Procurement	Estimated value	Initial bids	Lowest bid at e-auction	Price reduction at e-auction
Construction and reconstruction of water supply network	4,237,000	From 4,232,246 to 6,454,000	1,989,164	-53%
Fence works for kindergarten	90,000	From 89,600 to 96,000	48,000	-46%
Construction of faecal sewage	10,169,492	From 9,649,704 to 13,624,633	5,982,818	-38%

Same questions remain unanswered in these procedures and concern provision of required quality, but also quantity of procurements at such major decrease of prices at e-auctions.

In order to address these shortfalls, contracting authorities and economic operators are recommended to find a modality on limiting price reduction at e-auctions to such illogical levels. Due consideration should be made of the possibility to introduce protection mechanisms to prevent illegal arrangements between companies in public procurements, as well hostile actions on the part of certain economic operators towards their competitors that take place around and at this stage of electronic auctions for public procurements.

On the other hand, this monitoring sample again proved that procurement procedures presented with one bid or one bid remaining after bid-evaluation, which accounted for one third of monitored tender procedure, do not include reduction of initially bided prices. Two thirds of tender procedures presented with only one bid and implying submission of so-called final price, the single bidder

did not submit new, downward reduced price. Remaining one third of tender procedures, without any exceptions, implied reduced final price only for the purpose of fitting the initial price within the procurement's estimated value, because when the final price is higher than procurement's estimated value the tender procedure is usually annulled.

In addition, total reduction of initially bided prices at e-auctions accounts for 20.3% and is considered above average level that has been maintained in the last several years. In the last monitoring period this share was 20%. Moreover, this reduction is made against the lowest initial price and not against the procurement's estimated values. In high number of tender procedures, price reduction at e-auctions and submission of final price is pursued only for the purpose of reducing prices to the level of procurement's estimated value. However, there are examples in which, resembling a real-time video game, bidding companies are so competitive in downward bidding and seem to forget that it is a matter of "game" of prices, i.e. money. In such cases, as described above, prices are seriously reduced not only below initially bided prices, but also below the level of procurement's estimated value.

As regard competition at e-auction, it has increased in this monitoring period compared to the previous period. More specifically, tender procedures that were completed with organization of e-auction are marked by average competition of 4.1 bidding companies, while e-auctions implied participation of average number of 3.2 bidding companies. In the previous monitoring period, tender procedures completed with e-auction were marked by average participation of 3.4 bidding companies, while the average number of companies participating in their respective e-auctions accounted for 2.1.

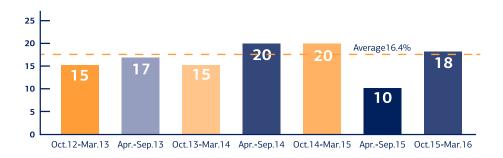
### TENDER ANNULMENTS PICK UP IN FREQUENCY

After minor drop observed in the previous six-month period, the share of annulled tender procedures has again reached an above average level. Reasons thereof are various, but the most dominant reason for tender annulment implies the fact that public procurement committee has assessed that all bids received are unacceptable.

n this monitoring period, the share of annulled tender procedures accounts for 18%, whereby tender annulments have risen above the several-year average of around 16%. Smaller value of the indicator on annulled tender procedure was reported only in the last six-month period when their share dropped to 10%

Figure 2.

Share of annulled tender procedures in the monitoring sample at local level



Unlike the situation in last six-month periods when the main reason for tender annulment implied unfavourable prices, in this monitoring sample tender procedures were mainly annulled on the grounds of unacceptable bids. This means that procurement procedures were presented with bids (1.8 bids on average), but in the course of bid-evaluation the public procurement committee has assessed them as unacceptable. For any bid to be rejected as unacceptable, this committee has to assess that the said bid does not fully meet all requirements defined in tender documents and technical specifications and does not fulfil all eligibility criteria, conditions and requirements related to economic operators' ability and capacity.

This reason was indicated in 37.5% of annulled tender procedures. In the case of 25% of annulled tender procedure the reason indicated implied no bids submitted, while in the remaining share of annulled tender procedures equal shares of 12.5% were calculated for reasons defined as omissions in tender documents, unfavourable prices or decision taken by the State Commission on Public Procurement Appeals.

As if by rule, annulled tender procedures are interesting for analysis and inferring lessons learned. Such example is the procurement of used car-towing vehicle for the needs of one local utility enterprise. Although two bids were submitted to this tender procedure, both matching description of said vehicle, they were both rejected on the grounds of failing to submit one and the same document. It concerns the confirmation that vehicle is registered with valid registration plates in Macedonia as specialized car-towing vehicle. What makes this procurement complicated is the fact that this condition was enlisted in technical specifications for the vehicle, together with other technical characteristics required such as age, engine power,

engine capacity, width and length, etc. Therefore, it is not logical for the requirement necessitating valid registration plates in Macedonia to be subsumed under "technical characteristics" of the vehicle because it is more related to the bidding company that should secure and register this vehicle in advance and then offer it as such. Be that as it may, it seems that this is rather limiting precondition or technical characteristic required from bidding companies.

After the tender annulment, new procurement was announced with changed technical specifications for the vehicle (in terms of their reduction), but the estimated value is not changed. For example, instead of engine capacity set at 8,000 cm³ this parameter is now set at 4,000 cm³, vehicle weight was reduced from 1,400 kg to maximum 1,000 kg, etc. Nevertheless, the requirement for the vehicle to hold valid registration plates remained. Only one bid was received (from one of the two bidding companies that participated in the annulled tender procedure) and the contract was signed. The repeated tender procedure was not subject of monitoring in order to establish the date at which said vehicle was registered in Macedonia.

What raises concerns with this tender procedure is the requirement for said vehicle to have valid registration plates in Macedonia. Deadline for submission of bids in this procedure was set in duration of 21 days, and in this period interested companies should find such used vehicle (which is not common), import (because there are no manufacturers in our country) and register it, while being uncertain that they would win the tender procedure and will ultimately sell this vehicle. What if they are not awarded the contract? What would they do with said vehicle? Whom would they sell such vehicle knowing that this was the only notice for procurement of used car-towing vehicle in the country for the last five years?

Another example is the procurement of reconstruction works for school building where all bidding companies offered prices that are almost twice as high as the procurement's estimated value and none of them participated in e-auction for downward bidding. The contracting authority annulled this procedure and shortly afterward repeated the procurement notice for same works. Based on this procurement notice it could be concluded that the contracting authority did not infer lessons as it failed to increase the procurement's estimated value, except for a minor upward adjustment. The repeated procedure was annulled as well because all prices exceeded the estimated value. According to EPPS data, this procurement was not implemented afterwards. Hence, the question is raised whether it would have been more cost-effective for the contracting authority to increase procurement's estimated value instead of incurring costs and wasting time with organization of two unsuccessful procurement procedures. In these and similar situations valid is the recommendation for organization of market research and consultation with experts outside the contracting authority in the stage on tender preparation, which would most certainly result in more accurate establishment of estimated value that determines outcome of procurement procedures. Well established estimated value is precondition for realization of public procurement plans and timely implementation of tender procedures, while narrowing space for manipulations on the part of economic operators.

As was the case in previous monitoring periods, this monitoring sample also included examples of omissions made by contracting authorities in tender annulment. More specifically, the contracting authority has annulled as many as five lots in the procedure because bidding companies, after e-auction or submission of final price, offered price higher than the estimated value for each of procurement lost in question. Instead of annulling the procedure due to the fact that bids are inadequate (as stipulated by the Law), the contracting authority enlisted submission of unacceptable bids as the reason for tender annulment.

As regards average number of bids per annulled tender procedure, in this monitoring period their number was 1.8 and is equal to the average calculated for the last several years. Although this could not be considered competition, the average number of bidding companies in annulled tender procedures is around 2, which additionally complicates the problem with tender annulments.

Figure 3.

Average number of bids in annulled tender procedures



Having in mind that annulled tender procedures imply loss of time and money, difficulties in planning and efficiency of tender implementation, while economic operators are faced with reduced certainty in their operation, this problem needs to be seriously analysed. This is becomes more important given the fact that the share of annulled tender procedures is around 18%, which is already high, and especially in comparison to relevant shares of annulments in other countries. Through this monitoring process it was continuously indicated that the Law on Public Procurements leaves broad space for tender annulments that needs to be narrowed, especially knowing that annulment of certain tender procedure might also involve subjective decision on the part of contracting authorities. On the other hand, the number of appeals lodged by companies is disproportionally lower compared to total number of tender procedures, whereby this instrument that implies certain control function is not used adequately

### COMPETITION IN LOCAL TENDER PROCEDURES

## REMAINS AT THE LEVEL OF LESS THAN THREE BIDDING COMPANIES

While competition in tender procedures implemented at local level remains low with an average of 2.8 bidding companies per tender procedure, the share of tender procedures marked by one or no bids submitted continues to decrease. The average number of bidding companies throughout monitoring years is calculated at 2.6.

xcept in the period covering the turn from 2013 to 2014, when the number of bidding companies in the monitoring sample was calculated at 3, all other monitoring periods were marked by competition level ranging from 2.2 bidders in 2012 to 2.8 bidders in the last six-month period. The average value of bids submitted per tender procedure throughout monitoring years accounts for 2.6.

Figure 4.
Competition in monitored

tender procedures at local level: average number of bidding companies per tender procedure

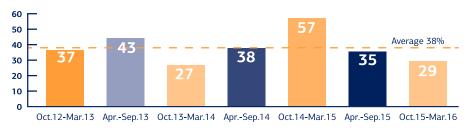


This monitoring sample and period is marked by mild improvement in terms of one of the most burning problems in public procurements, i.e. the share of tender procedures with no or one bid submitted. After the record-breaking share of tender procedures with one or no bids submitted observed in the period between 2014 and 2015, this share is reduced from 35% in the last six-month period to 29% in this monitoring period. The several-year average calculated for these tender procedures is 38% (Figure 5).

Figure 5.

Competition in monitored tender procedures at local level: share of tender procedures with one

or no bids



In the context of competition, this monitoring sample included several similar examples in which contracting authorities have defined eligibility criteria for tender participation and have previous conducted market research, thereby avoiding the need to seek approval from the Council of Public Procurements.

The procurement for construction of children playgrounds and urban equipment organized by one municipality in Skopje anticipated series of eligibility criteria for companies to be able to submit their bids. For the purpose of these eligibility criteria, the municipality conducted successful market research, i.e. six from total of seven economic operators addressed with questionnaires on fulfilment of eligibility criteria provided positive answers, which is a sufficient number according to provisions from

the Law on Public Procurements. Later, only two companies submitted bids to this tender procedure, one of which was included in the market research and the other was not. During the bid-evaluation process, the second company was exempted on the grounds of not having submitted evidence on fulfilment of defined eligibility criteria, whereby only the first company remained and was awarded the contract. Eligibility criteria defined in this tender procedure included:

- → annual turnover of at least 12,000,000 MKD related to the procurement subject in the last three years;
- → at least 10 full-time employees with adequate education and professional qualifications in performance of said works;

- reference list of works performed in the last three years, i.e. at least 5 contracts on urban equipment and 5 references on quality performance of works;
- evidence on performed design, procurement and installation of urban equipment, as follows:
  - at least 150 park benches annually in the last three years;
  - at least 150 litter bins annually in the last three years;
  - at least 150 cast floor grilles in the last three years;
  - ▶ 150 plant boxes in the last three years;
  - at least 15 wood-made children playgrounds in the last five years;
  - 100 protection pillars in the last three years; and
  - ► 150 meters of protective fence in the last three years.

Contract for this procurement was signed in the amount of 4,000,000 MKD, i.e. three times less compared to the annual turnover required from bidding companies. As regards works to be performed by the bidding company, their overall scope could not be established in terms of the conditions imposed, because technical specifications did not include their quantities, but requested companies to submit unit prices. Be that as it may, such eligibility criteria that require precise number of benches, litter bins or plant boxes provided by interested bidding companies do

not instil trust for fair competition among broader scope of companies.

In another procurement procedure organized for installation of stages, sound and lighting systems for celebration events the contracting authority conducted market research for the defined eligibility criteria, but was ultimately presented with only one bid by company that was later awarded the contract. As was the case with previously analysed tender procedure, conditions for the equipment that should be owned by bidding companies are rather detailed.

Hence, for a celebration event with up to 10,000 people, interested economic operators should dispose with the following equipment:

- ⇒ sound system: 24 "line array" speakers (from renowned manufacturer), 12 "subwoofers" speakers (from renowned manufacturer 2x18"), 12 "stage monitors" speakers (from renowned manufacturer), 1 digital mix plate with minimum 48 outlets and 16 AUX and 30 microphones;
- → lighting system: 12 "moving wash" K10 or K20, 40 "moving wash" (LED technology), 24 "moving spot" minimum 575W and 32 "moving beam" 7R 230W;
- → video projections: 1 "LED" screen minimum 55 m2 PH 4 mm, 2 video processors, video mix plate, 2 LCD projectors minimum 7500 ANSI lumens, 2 projection screens 400x300 cm, 4 video cameras with HD resolution and 1 camera lever minimum 12 m;
- → 1 aluminium construction for stage roofing 1500x1000x800 cm:

- → 1 stage with area of 150 m<sup>2</sup>;
- → 2 voltage installation switchboard with metering unit;
- → 12 tents 610x610 cm: size of segment 20x5 m (minimum 10 segments), construction (epoxy aluminium), minimum side height of 4 m, central height of 5,8 m and minimum coverage of 1000 m².

Similar detailed requirements were defined for organization of events for up to 5000 and 1000 people, and in regard to all three component bidding companies are required to dispose with own vehicle fleet (although there are no indications on the number of vehicles) and to have performed at least 3 contracts for the same procurement subject.

For years, competition remains one of the biggest problems in public procurements. Average number of bidding companies below 3, significant share of tender procedures with one or no bids and knowledge that true competition is present in only handful of sectors such as information technology and construction works, are sufficiently indicative of the need to engage in more detailed analysis of this segment in public procurements. Competition was not increased with lowered threshold for organization of public procurements at 500 EUR or with the establishment of new body, i.e. the Council of Public Procurements. There is a multitude of factors negatively affecting competition, such as lowest price defined as single selection criteria, mandatory organization of e-auction, high eligibility criteria for tender participation defined in certain procurement procedures, late payment for contract performance, corruption, etc. Although it is expected for the analysis that would be conducted by competent institutions enjoying full insight in all tender procedures to reveal new insights,

changes that should follow this process must be geared towards correcting above-enlisted generators behind this problem.



