



FOUNDATION ФОНДАЦИЈА
OPEN ИНСТИТУТ
SOCIETY ОТВОРЕНО
INSTITUTE ОПШЕСТВО
MACEDONIA МАКЕДОНИЈА



Index of Rationality

1.

Skopje, March 2011

CONTENTS

1. GOALS AND METHODOLOGY.....	3
2. INDEX OF RATIONALITY.....	5
2.1. Index of Rationality for Road and Street Winter Maintenance	6
2.2. Index of Rationality for Industrial Salt.....	8
2.3. Index of Rationality for Extra Light Fuel Oil (EL-1).....	10
2.4. Index of Rationality for New Year Decorations.....	12
2.5. Index of Rationality for Copy Paper	14
3. CONDITIONS UNDERLYING THE IMPLEMENTATION OF PROCUREMENT PROCEDURES INCLUDED IN THIS INDEX OF RATIONALITY.....	16
3.1. Procurement of Road and Street Winter Maintenance Services.....	16
3.2. Procurement of Industrial Salt.....	29
3.3. Procurement of Extra Light Fuel Oil (EL-1).....	32
3.4. Procurement of New Year Decorations.....	37
3.5. Procurement of Copy Paper.....	41
4. GENERAL CONCLUSION.....	47

1. GOALS AND METHODOLOGY

The Centre for Civil Communications from Skopje is the only non-governmental organization in the Republic of Macedonia that implements direct and comprehensive monitoring of public procurement procedures organized in the country. With the aim to make an additional contribution to advancing the state of affairs in this field, the Centre initiated the development of the so-called Index of Rationality in public spending. It aims to introduce a new instrument that will be used to assess effectiveness of public spending, to identify bottlenecks in the system, and ultimately to contribute to institutions' rational spending of public funds.

The Index of Rationality is developed by means of comparisons of prices under which different institutions have procured same products, services or works. The Index of Rationality will be developed quarterly and each quarter will include maximum five different types of procurements. The Index provides comparisons of public spending practices of at least five institutions and, where possible, efforts are made to maximize the number of institutions targeted. In addition to enabling comparison of prices, the analysis of same commodities, services or works provides different patterns of behaviour on the part of state institutions as regards implementation of same type of public procurements.

The Index is envisaged to serve the state institutions as an indicator against which they will improve the rationality in public procurements, i.e., public spending. Given that index-included prices are the average value of those paid by the institutions and do not imply the actual or market prices, state institutions should, when possible, pursue attainment of lowest prices and spend public funds in a more rational manner, moreover knowing that other institutions have attained more favourable prices for same types of procurements.

Differences in prices paid by institutions for same types of products and services indicate the need for a thorough market research prior to tender announcement and harmonized approach on the part of contracting authorities when procuring same type of products.

The sample used to develop the Index can include all national and local level contracting authorities, i.e., from line ministries and municipalities, public enterprises and agencies, to schools and kindergartens. For the purpose of securing better coverage on the territory of the Republic of Macedonia, the Centre's monitoring team

also includes representatives from civil society organizations seated in several municipalities country-wide.

It should be noted that the Index of Rationality will disclose the contracting authorities monitored, but not the companies with whom contracts have been signed (although data thereof is available), given that the responsibility for rational spending primarily lies with the contracting authorities.

The Index of Rationality uses primary and secondary data sources.

Data collection from primary sources is pursued by means of:

- attendance at public opening of bids submitted by economic operators under specific public procurement procedures, in order to obtain data on prices bided; and
- direct contacts with contracting authorities, in order to obtain data on the selection of the most favourable bid.

These activities provide data on prices paid to procure particular products, services or works.

Secondary data sources include:

- Electronic Public Procurement System (EPPS); and
- Free Access to Information (FOI) applications.

The research and the Index of Rationality were developed in cooperation with and financial support from the Foundation Open Society Institute – Macedonia.

2. INDEX OF RATIONALITY

The Index of Rationality for the first five products and services was developed on the basis of public procurement procedures implemented in the fourth quarter of 2010, and thereby includes the most common types of procurements for that period. Types of procurements include:

- road and street winter maintenance against snow and ice;
- industrial salt;
- extra-light fuel oil;
- New Year decorations; and
- copy paper (as one of the most standard office supplies).

Given the fact that this instrument is introduced for the first time and that contracting authorities are inexperienced as regards this type of public disclosure of relevant contracts signed, the first five indices include the highest possible number of institutions.

2.1 Index of Rationality for Road and Street Winter Maintenance

Index of Rationality for road and street winter maintenance targeted all contracting authorities that had implemented this type of procurements in 2010. Due consideration should be made of the fact that, in general, this service is required by municipalities that have not established public enterprises tasked to maintain and clean roads and streets in winter time. Also, this procurement was implemented by some public enterprises, on the grounds of insufficient machinery to clean streets from snow and ice at their disposal. Due to different methodologies applied by the municipalities in regard to service payment, this index used the most commonly applied parameter – **price per effective hour of road and street winter maintenance**. Therefore, the present Index of Rationality included 16 contracting authorities. As for other contracting authorities which pursued different methodology to calculate costs of winter maintenance, the present report only discloses individual prices paid and the total value of contracts signed.

Index of Rationality for Road and Street Winter Maintenance

(price per effective hour of road and street winter maintenance)

Contracting authority	Price in MKD (VAT included)	Difference against the average
Municipality of Oslomej	1,950	-43.2%
Municipality of Petrovec	2,250	-34.5%
PE "Makedonija pat"	2,643	-23.1%
Municipality of Brvenica	2,655	-22.7%
PCE Tetovo	2,796	-18.6%
Municipality of Struga	2,924	-14.9%
Municipality of Butel	3,098	-9.8%
City of Skopje	3,363	-2.1%
Municipality of Tearce	3,363	-2.1%
Average	3,435	0.0%
Municipality of Bitola	3,828	+11.4%
Municipality of Prilep	3,835	+11.6%
Municipality of Saraj	4,130	+20.2%
Municipality of Sopiste	4,130	+20.2%
Municipality of Gazi Baba	4,244	+23.6%
Municipality of Kisela Voda	4,794	+39.6%
Municipality of Kriva Palanka	4,956	+44.3%

The average price attained for effective hour of road and street winter maintenance, as given in the Index of Rationality, amounts to 3,435 MKD. Nine contracting authorities have attained prices lower than the average, and seven have attained prices higher than the average.

The municipality with the lowest price per effective hour of winter maintenance pays 43.2% less than the average, while the municipality with the highest price pays 44.3% more than the average calculated. The lowest and highest price ratio for this service is 1:2.5. Discrepancies in the prices for road and street winter maintenance may be attributed to the procurement size, as well as the type, quality and efficiency of machinery used by companies for contract performance, but the major gap between the lowest and the highest price attained requires further investigation as regards the rationality in public spending for this type of services. Differences in prices attained by contracting authorities may be even higher considering the fact that institutions use as high as four different methods to calculate prices for this type of services, which actually prevented us to include all institutions that implemented such procurements in the Index. Their prices are given as separate calculations that are part of this analysis.

2.2 Index of Rationality for Industrial Salt

Index of Rationality for industrial salt includes six contracting authorities that have implemented public procurement procedures with prior announcement of call for bids in the period 2010/2011 and 12 contracting authorities that have purchased salt as part of winter maintenance procurements. The index compares the **price per 1 ton of industrial salt**.

Index of Rationality for Industrial Salt

(price for 1 ton of industrial salt)

Contracting authority	Price in MKD (VAT included)	Difference against the average
Municipality of Prilep	2,360	-63.1%
Municipality of Brvenica	3,540	-44.7%
Municipality of Bitola	3,575	-44.1%
PE "Makedonija pat"	4,130	-35.4%
City of Skopje	4,661	-27.1%
Municipality of Kisela Voda	4,838	-24.4%
PE "Ulici i patista"	4,897	-23.4%
Municipality of Struga	5,396	-15.6%
PCE Tetovo	5,600	-12.4%
Municipality of Radovis	6,183	-3.3%
Average	6,396	0.0%
PE "Komunalec" Kicevo	7,056	+10.3%
Municipality of Vinica	7,080	+10.7%
Municipality of Petrovec	7,080	+10.7%
Municipality of Kriva Palanka	7,670	+19.9%
Municipality of Gazi Baba	8,724	+36.4%
Municipality of Resen	8,850	+38.4%
Municipality of Butel	10,502	+64.2%
Municipality of Saraj	12,980	+102.9%

The average price paid by contracting authorities for 1 ton of industrial salt amounts to 6,396 MKD. Ten contracting authorities purchased the salt under cheaper prices compared to the average, and eight contracting authorities purchased the salt under more expensive prices compared to the average.

The lowest price is by 63.1% lower than the average, whereas the highest is by 102.9% higher than the average. The highest and lowest price ratio is 1:5.5.

Although salt differs according to its granule-metric composition, humidity, cleanliness and packaging (bulk or packed salt bags), the question remains whether these parameters can justify the great differences in prices paid by the procurement-

performing entities. Hence the conclusion that institutions have the possibility to implement significantly more rational procurements as regards this type of products.

2.3. Index of Rationality for Extra Light Fuel Oil (EL-1)

Considering that in the fourth quarter of 2010 some institutions implemented tenders to procure extra light fuel oil, the present **Index of Rationality also targets the procurement of EL-1**, notably it targeted a random sample of 9 institutions selected from the line of entities with frequent procurements, health care institutions, municipalities and national level institutions. Having in mind that the price of heating oil is subject to state-based regulation, the companies compete in terms of discounts offered from the highest price, as set by the Energy Regulatory Commission (ERC) of the Republic of Macedonia. Hence, the index was developed on the basis of **obtained discounts (rebate) from the highest price**.

Index of Rationality for Extra Light Fuel Oil (EL-1)

(discount for EL-1 compared against the highest price set by ERC)

Contracting authority	Discount obtained	Difference against the average (in %)
Health Insurance Fund of Macedonia	15.22%	+4.12
Macedonian Postal Office	14.28%	+3.18
Ministry of Defence	13.04%	+1.94
Customs Administration	12.77%	+1.67
Penitentiary and Correctional Facility Prison – Skopje	12.75%	+1.65
Average discount	11.10%	0.00
Public Health Institution Stip	11.03%	-0.07
Municipality of Gostivar	10.42%	-0.68
PHI Health Center in Skopje	6.52%	-4.58
Municipality of Butel	3.85%	-7.25

Average discount offered to the institutions as regards the purchase of extra light fuel oil (EL-1) accounts for 11.10% of the highest price. Five contracting authorities have purchased oil under discounts higher than the average, and four contracting authorities obtained discounts lower than the average. The highest discount is by four times greater than the lowest one.

Discounts offered do not correspond with quantities purchased, as any economic logic would suggest. Notably, the three contracting authorities that have obtained the lowest discounts have in fact purchased the greatest quantities of extra light fuel oil. For illustration purposes – if the contracting authority that obtained the lowest

discount procured the oil under the highest discount, it would have saved up as high as 40,000 EUR.

Greater efforts are needed in order to enable the highest possible discounts for fuel oil, as confirmed by the annual amount of funds spent for this purpose. Notably, only the nine analysis-targeted institutions have signed such contracts in total amount of 88,536,048 MKD, or 1.4 million EUR.

2.4 Index of Rationality for New Year Decorations

In addition to the six municipalities that implemented public procurement procedures with prior announcement of call for bids, the **Index of Rationality for New Year decorations** included also all municipalities with more than 10,000 residents, i.e., a total of 51 municipalities. Nevertheless, taking into consideration that 17 of them did not implement this type of procurements, and data were not available for 7 municipalities, the Index is developed on the basis of contract values from 27 municipalities. Due to fact that not all municipalities disposed with data on the precise area where decorations were used, the Index could not be calculated on the basis of the decoration price per square kilometre. Thus, the Index of Rationality was developed on the basis of contract's **total value for New Year decorations** (see Table).

The average value for New Year decorations in municipalities for the year 2011 was 801,009 MKD. Seven municipalities spent more than the average and 20 of them less than the average. In that, differences in decoration costs are not only the result of municipalities' different size and budget.

The 27 analysis-targeted municipalities spent 21,627,255 MKD or 351,663 EUR in total for this purpose. It is important to note that this amount includes only costs incurred for New Year decorations. Municipalities spent additional funds for organization of New Year parties, fireworks, New Year gifts for children at kindergartens and primary schools, as well as for development of New Year's advertising material.

Index of Rationality for New Year Decorations

(contract value for New Year decorations)

Municipality	Subject of contract	Amount in MKD (VAT included)	Difference against the average
Aerodrom	Procurement of New Year light strings	3,540,000	+341.9%
Bitola	New Year decorations	2,909,363	+263.2%
Cair	Decoration project development and implementation	2,472,000	+208.6%
Gazi Baba	Assembling and dismantling own and rented New Year decorations	2,000,000	+149.7%
Tetovo	New Year decorations	1,489,219	+85.9%

Center	Lights and decorations for New Year 2011	1,200,000	+49.8%
Gjorce Petrov	Procurement of holiday decoration elements and installations	1,003,000	+25.2%
Average		801,009	100%
Strumica	Procurement and assembling of New Year decorations	718,207	-10.3%
Ohrid	Manufacturing and assembling of New Year decorations	704,158	-12.1%
Karpos	Procurement and assembling of New Year decorations	484,925	-39.5%
Veles	Procurement and assembling of the Christmas Tree and decorations	450,000	-43.8%
Kocani	Procurement of New Year decoration materials	362,508	-54.7%
Kicevo	Procurement of New Year decorations	360,000	-55.1%
Gostivar	Procurement of decoration lights	359,900	-55.1%
Gevgelija	New Year decorations	358,130	-55.3%
Kisela Voda	Procurement and assembling of New Year decorations	354,000	-55.8%
Saraj	Procurement of New Year lights	352,280	-56.0%
Kumanovo	Reconstruction of existing and procurement of new decorations	347,722	-56.6%
Radovis	Procurement of New Year decorations	336,418	-58.0%
Sveti Nikole	Procurement of New Year decorations	303,279	-62.1%
Prilep	Procurement of New Year decorations	300,000	-62.5%
Struga	New Year decorations	299,960	-62.6%
Butel	New Year decorations	286,563	-64.2%
Probistip	Procurement of New Year decorations	223,763	-72.1%
Negotino	New Year lights	160,470	-80.0%
Vinica	Procurement of New Year decorations	133,658	-83.3%
Kratovo	New Year decorations	117,732	-85.3%

2.5 Index of Rationality for Copy Paper

Index of Rationality for copy paper (A4, 80 g) was developed by means of FOI applications submitted to 34 contracting authorities. However, the Index includes 21 institutions, since 3 contracting authorities did not respond to the FOI applications, whereas several line ministries indicated that it was the Department on General and Common Matters that supplied them with the requested supplies. The Index was developed on the basis of **price per one ream (500 sheets) of standard copy paper** (A4, 80 g.).

Index of Rationality for Copy Paper

(price per ream of copy paper)

Contracting authority	Price in MKD (VAT included)	Difference against the average
PE "Ulici i patista"	150	-28.9%
Parliament of Republic of Macedonia	151	-28.4%
Ministry of Transport and Communications	156	-26.1%
Municipality of Kocani	159	-24.6%
Municipality of Aerodrom	159	-24.6%
Municipality of Gjorce Petrov	171	-19.0%
Municipality of Kumanovo	178	-15.6%
Department on General and Common Matters	183	-13.3%
Municipality of Aracinovo	200	-5.2%
Municipality of Suto Orizari	200	-5.2%
Average	211	0.0%
Ministry of Agriculture	228	+8.1%
Municipality of Veles	230	+9.0%
Municipality of Bitola	234	+10.9%
Municipality of Resen	234	+10.9%
Municipality of Stip	238	+12.8%
Municipality of Prilep	240	+13.7%
Municipality of Tetovo	248	+17.5%
Municipality of Demir Hisar	250	+18.5%
Municipality of Strumica	260	+23.2%
Municipality of Gostivar	277	+31.3%
Municipality of Sveti Nikole	295	+39.8%

The average price paid by contracting authorities for one ream (500 sheets) standard copy paper was 211 MKD. Ten contracting authorities purchased the paper cheaper than the average, and eleven paid more expensive prices. The contracting authority that purchased the paper under the lowest price (150 MKD) paid by 28.9% lower price than the average. And *vice versa*, the institution which paid the highest price for

the paper (295 MKD) paid by 39.8% more than the average. The lowest and highest price ratio is almost 1:2.

Differences in prices paid for copy and print paper can certainly be due to the paper class and thereby its quality. Nevertheless, the key question raised here is whether state institutions should purchase paper of highest quality and the most expensive one?

3. CONDITIONS UNDERLYING THE IMPLEMENTATION OF PROCUREMENT PROCEDURES INCLUDED IN THIS INDEX OF RATIONALITY

3.1 Procurement of Road and Street Winter Maintenance Services

In regard to the procurement of these services, as high as four different methods were used by the contracting authorities to calculate this cost:

- effective hour of cleaning roads and streets, applied by most institutions, and was used as the basis for the development of the Index of Rationality;
- payment per kilometre of cleaned road or street, as applied by the municipalities: Kumanovo (1,121 MKD), Kocani (1,050 MKD) and Resen (944 MKD);
- payment of street salting per 1 ton of industrial salt from spreaders, as applied by the Municipality of Gjorce Petrov (17,700 MKD); and
- signing lump sum contract where economic operators are obliged to maintain roads and streets under contracting authorities' competence, as applied by the municipalities: Mavrovo-Rostuse and Debarca.

Differences appear also in terms of the fact that some contracting authorities divide the municipal territory into several winter maintenance districts, unlike others which implement procedures for the entire territory.

Criteria used to assess companies' eligibility to participate in tenders vary to a great extent. Notably, some contracting authorities set precise criteria for companies' eligibility based on their technical and professional ability and provided clear definitions of the machinery required, while others set minimum criteria for companies' eligibility to participate in tenders, if any.

Differences were noted also in regard to criteria used for the selection of the most favourable bid. Despite the dominant elements, such as "price" and "performance deadline", many contracting authorities also included staff and technical equipment of economic operators as elements used to select the most favourable bid, which are in fact elements used to assess companies' eligibility and should not be used as bid-assessment criteria.

Having in mind that the price for winter maintenance is established on the basis of hours spent on cleaning or maintenance – the exact amount of this cost depends on the effective hours spent on cleaning or maintenance, i.e., the final amount invoiced by the companies that won the tenders. Thus, the following table provides an

overview of the total value of winter maintenance contracts signed between institutions and companies.

Total value of winter maintenance contracts signed, VAT included

Contracting authority	Amount in MKD (VAT included)	Contracting authority	Amount in MKD (VAT included)
City of Skopje	10,000,000	Municipality of Gjorce Petrov	1,600,000
PE "Makedonija pat"	8,991,403	Municipality of Saraj	1,500,000
Municipality of Kumanovo	7,900,000	Municipality of Sopiste	1,500,000
Municipality of Prilep	7,700,000	Municipality of Butel	1,416,000
PCE Tetovo	6,000,000	Municipality of Kisela Voda	1,416,000
Municipality of Bitola	5,310,000	Municipality of Brvenica	1,200,000
Municipality of Struga	4,000,000	Municipality of Debarca	1,121,000
Municipality of Mavrovo - Rostuse	3,114,020	Municipality of Resen	1,000,000
Municipality of Gazi Baba	3,000,000	Municipality of Kriva Palanka	899,750
Municipality of Kavadarci	2,000,000	Municipality of Petrovec	600,000
Municipality of Kocani	1,600,000	Municipality of Oslomej	500,000

For the purpose of presenting the state of affairs in the most reliable manner, the analysis of road and street winter maintenance procurements includes detailed overview of terms and conditions under which the contracting authorities signed contracts with the companies.

The Municipality of Oslomej signed the winter maintenance contract by means of previously announced call for bids. Tender documents did not specify the type of machinery required from the economic operators.

The criterion for contract awarding used in this public procurement procedure was "economically most favourable bid".

Elements	Points
Price	80
Performance deadline	20

The Municipality of Petrovec signed the contract for road and street winter maintenance upon previously announced call for bids. Here, as was the case above, the selection criterion used was “economically most favourable bid”.

Elements	Points
Price	70
Payment deadline	30

The contract was signed with the single bidder, in the amount of 600,000 MKD.

The Public Enterprise “Makedonija pat – Skopje”, as part of the call for bids related to subcontracting machinery for winter maintenance of highways and motorways in the Republic of Macedonia for the winter season 2010/2011, included a lot that covered 57 locations and required the following machinery: graders, trucks with engine power of 250-350 HP with snow plow and salt spreader, loaders, track-type tractors and track-type excavators. Under the technical and professional eligibility criteria, companies were required to provide evidence as regards the technical features of the vehicle or construction machine that was the procurement subject, as well as the bidder’s declaration that the vehicle and construction machine in question meets the features required by the tender documents and specifications. It should be noted that in regard to the use of winter maintenance road machinery, the PE “Makedonija pat” applies the model of machinery disposal throughout the winter period. Nevertheless, if the monthly utilization of relevant machinery exceeds 40 effective hours, the public enterprise pays extra for the additional effective hours to the contracted entities. Thus, the selection criterion set by “Makedonija pat” for companies to be contracted as regards winter maintenance of highways and motorways is the “lowest price”, as the sum of monthly utilization fee, allocated 80 points, and the price per effective hour, allocated 20 points.

According to data from the Electronic Public Procurement System, the PE “Makedonija pat” signed machinery utilization contracts with five companies, in the amount of 8,991,403 MKD.

Given the high number of companies that were awarded contracts under the tender, prices per effective hour of winter maintenance are calculated as the average of different prices and different machinery (motor vehicle truck 250-350 HP with snow plow and salt spreader, grader 180-220 HP, loader 110-160 HP, bulldozer 140-220 HP with ripper and Unimog with snow plow and salt spreader). Thus, this Index of Rationality used the average price in the amount of 2,643 MKD (VAT included), calculated pursuant to the above-given method.

The Municipality of Brvenica signed the winter maintenance contract by means of a bid collection procedure with announcement of call for bids. Although the call did not specify, the municipality accepted categorization of winter maintenance per highland and lowland roads, and therefore the index includes the average price thereof. The criterion used for public procurement contract awarding was “economically most favourable bid”.

Elements	Points
Price	60
Payment deadline	20
Quality – technical equipment	20

One of the three companies that submitted bids was selected, and the contract was signed with it in the amount of 1,200,000 MKD (VAT included).

In its call for winter maintenance of roads and streets, **the Public Communal Enterprise Tetovo** divided the municipal territory into two parts – town streets and neighbouring villages. Tender documents provided reference as regards the minimum eligibility criteria and the machinery required. The selection of the most favourable bid was made on the basis of the criterion “economically most favourable bid”.

Elements	Points
Price	60

Technical equipment	20
Payment manner and deadline	20

From the 4 bids received, contracts were signed with two companies in the total amount of 6,000,000 MKD (VAT included). The price included in the Index of Rationality is the price per hour of plow truck and salt spreader utilization, plus 1 labour hour.

In the announced call for bids related to winter maintenance, **the Municipality of Struga** divided the municipal territory into four regions and required separate bids per region, as follows:

- Struga and its surroundings;
- Dologozda and Velesta;
- Labunista; and
- Lukovo.

Four companies submitted their bids, one of which was disqualified on the grounds of failing to submit the relevant document confirming that the company in question is not subject of receivership or liquidation procedures. The remaining three companies were allocated portions of the procurements, where one company was awarded the contract lots related to Struga and its surroundings and Lukovo, and the other two were awarded contracts for the other two procurement lots, respectively.

As part of the call for bids, document requirements intended to demonstrate companies' technical and professional eligibility included only the list of machinery available, but failed to specify the minimum eligibility criteria, i.e., what type of equipment is needed by the companies to satisfy the minimum eligibility threshold. The outcome of such practice was that technical equipment of companies that were awarded contracts was in part non-compliant with the standard equipment used for street and road winter maintenance, which includes plow trucks, graders and bulldozers. Companies that signed contracts with the Municipality of Struga disposed with trucks, track-type tractors and tractors. The criterion used for public procurement contract awarding was "economically most favourable bid".

Elements	Points
Price per hour	80
Price per m ³ of crushed stone and	20

industrial salt	
-----------------	--

According to documents provided by the Municipality of Struga, the three companies with whom procurement contracts were signed would be reimbursed in the amount of 30,000 MKD on the grounds of so-called monthly availability and disposal per municipal region. In that, it had been arranged that under a situation when the equipment was utilized up to 10 working days in the month, the company will be reimbursed 30% of its monthly availability and disposal fee, whereas in the case when the equipment was utilized for more than 10 working days in the month, the company would be entitled to 100% fee payment. The price per hour of winter maintenance included in the index was calculated as an average of the prices applied for the four municipal regions. Given that the Municipality of Struga has established a Public Communal Enterprise, the question raised here is why it implemented this tender in the first place; as such practice would imply assuming the competences that would naturally belong to the enterprise it had established.

In its call for bids related to winter maintenance of roads and streets, the **Municipality of Butel** did not specify the minimum eligibility criteria for companies' technical and professional ability. The selection procedure used the criterion "lowest price" and one from the two bidders in total was selected and the procurement contract was signed in the amount of 1,416,000 MKD.

In the call for bids related to contracting construction machinery for winter maintenance of city traffic roads, **the City of Skopje**, which is competent to maintain city traffic streets, included detailed description of the procurement type, as follows:

- contracting three-axles construction vehicles (special vehicles of up to 25 tons), salt spreader and snow plow – 5 vehicles (for the entire period);
- contracting special three-axles or smaller vehicles, equipped with salt spreader and snow plow – 2 vehicles (if needed); and
- contracting construction machinery grader with maximum power of up to 130 HP – 2 graders (if needed).

The minimum eligibility criteria for economic operators' technical and professional ability required the companies to own five three-axles construction vehicles (special vehicles of up to 25 tons). Ownership or disposal (leased and like) was also required

for the vehicles/machines, as follows: two special three-axles or smaller vehicles equipped with salt spreader and snow plow, and two graders. The criterion used for public procurement contract awarding was “lowest price”.

Only one company applied to the open call for winter maintenance of city traffic roads on the territory of the City of Skopje and was awarded the contract in the amount of 10 million MKD (VAT included).

The Municipality of Tearce is one of the two municipalities subject to the present analysis which have signed direct contracts for winter maintenance of local streets and roads. The municipality applied the negotiating procedure without prior announcement of call for bids, on the grounds that it did not obtain a single bid to the previously announced call for bids.

The Municipality of Bitola announced the call for bids for street and road winter maintenance in four municipal regions: the City of Bitola and its surroundings, former Municipality of Bistrica, former Municipality of Capari and former Municipality of Kukurecani. The call did not specify the minimum eligibility criteria that bidding companies were to fulfil in order to demonstrate their technical and professional ability.

Under this procedure, the criterion used for public procurement contract awarding was “economically most favourable bid”.

Elements	Points
Price per hour	70
Response time	30

The municipality signed contracts with two of the three bidders that applied – the Public Communal Enterprise and a private company, in the estimated amount of 5,310,000 MKD. In that, Bitola is the single municipality that has signed a procurement contract with the municipality’s PCE. Hence the question – why has the city announced this tender procedure, when it has established a public enterprise, whose responsibilities include street maintenance?

The Index of Rationality includes the price per 1 hour utilization of the truck with snow plow and salt spreader, plus 1 labour hour.

In its open call for bids, the **Municipality of Prilep** requested two trucks with plows for snow cleaning and salt spreaders and truck spreader, grader, front loader, loader with plow for snow cleaning and track-type bulldozer with plow. Bidders were required to submit the list of main works performed in the last 5 years, education and professional background of expert and management staff, etc.

In this procedure, the criterion used for public procurement contract awarding was “economically most favourable bid”.

Elements	Points
Price	70
Available technical equipment required for contract performance	10
Quality of materials to be used	10
Reference list of works performed	5
Payment manner and deadline	5

The contract was signed with one of the two companies that applied, in the total amount of 7,700,000 MKD (VAT included). The Index of Rationality includes the price per 1 hour utilization of truck with plow and salt spreader, plus 1 labour hour.

The call for bids announced by the **Municipality of Saraj** included high minimum eligibility criteria for companies’ technical and professional ability, which *inter alia* required at least 30 employees, 4 trucks, 1 salt spreader, 1 salt cleaner, 1 plow vehicle, and 3 excavators. The criterion used for public procurement contract awarding was “economically most favourable bid”, and was comprised of two elements, which included “technical equipment and staff”. This criterion should have been used to assess bidders’ eligibility, rather than the bids, and was already specified as part of tender’s eligibility criteria.

Elements	Points
Price per hour	70
Technical equipment and staff	30

Only one company applied to the call for bids announced by the Municipality of Saraj, and the contract was signed in the amount of 1,500,000 MKD.

The Municipality of Sopiste signed a direct contract for local road and street winter maintenance. The municipality applied the negotiation procedure without prior announcement of calls for bids, on the grounds that it did not obtain a single bid on the two previously announced calls for bids. According to the municipal minutes, negotiations were held with three companies, one of which was selected as most favourable bidder and the contract was signed in the amount of 1,500,000 MKD. The Index of Rationality includes the price per 1 hour of utilization of plow truck and salt spreader, plus 1 labour hour.

The Municipality of Gazi Baba announced the call for bids related to winter maintenance divided into three lots (three municipal regions), those being: urban area roads and streets, lowland rural roads and highland rural roads. In order to demonstrate their technical and professional ability, the bidding companies were required to submit the list of main services, declarations stating the engagement of technical staff or subcontractors, regardless of the fact whether they are under permanent contract with the bidder or are outsourced, and declaration on bidder's equipment and ability as regards quality performance of services.

The criterion used for public procurement contract awarding was “economically most favourable bid”.

Elements	Points
Price	80
Response time	20

Contracts were signed with three from the total of four companies that submitted bids, in the amount of 1,000,000 MKD (VAT included) per region, i.e., in the total amount of 3,000,000 MKD. The average price per effective hour of winter maintenance, as calculated from the three contracts, was taken as the basis for the development of the Index of Rationality, whereby the effective hour included machinery and 1 hour labour, which was calculated separately in the bids.

The Municipality of Kisela Voda's announced call for bids implied the application of simplified procedure.

The selection criterion used was “economically most favourable bid” and included two elements – “price” and “machinery”. The latter should be used as eligibility criteria to assess the bidders, rather than the bids.

Elements	Points
Price	80
Machinery	20

Two companies submitted bids, and one of them was selected and the contract was signed in the amount of 1,416,000 MKD.

The average price per effective hour of road and street winter maintenance was calculated as the average of the two rates paid by the municipality, notably the daytime rate 07-21 h (5,163 MKD - VAT included) and nighttime rate 21-07 h (4,425 MKD - VAT included). The average price paid by the municipality amounts to 4,794 MKD (VAT included).

In its call announced for winter road maintenance, as regards the bidders' technical and professional eligibility, the **Municipality of Kriva Palanka** requested the list of main services, economic operator's declaration on technical equipment at its disposal, and disposal with specialized vehicles and staff for this type of services. The criterion used for public procurement contract awarding was "economically most favourable bid", which was comprised of 4 elements: price, technical equipment, payment deadline and staff. Two of these four elements (technical equipment and staff) are actually eligibility criteria used to assess bidders' ability, rather than to assess the bids.

Elements	Points
Price	60
Technical equipment	20
Payment deadline	10
Staff	10

Only one company submitted a bid and was awarded the contract in the amount of 899,750 MKD. The contract model applied in this case includes a fee for 40 hours of machinery utilization per month, for a duration of three months, and payment per effective hour (which was included in the index calculation) in cases of machinery utilization that exceeds the 40 hours per month.

In its call for bids related to winter maintenance against snow and ice, the **Municipality of Kumanovo** divided the town into two zones – east and west. In order to demonstrate their technical and professional ability, the bidders were required to demonstrate three-year experience in the performance of said services, to dispose with at least one motor vehicle with plow, one motor vehicle with plow and salt spreader, one motor vehicle with salt spreader, one grader and one bulldozer, and to have contracted at least 5 workers and one supervisor. The criterion used for the selection of the most favourable bid was “lowest price”, and the calculation was based on winter maintenance per kilometre. Only one company applied to the call and was contracted for both zones. Thus, the price for winter maintenance per kilometre was calculated as an average for both zones. The estimated amount for winter maintenance of municipal roads and streets was 7,900,000 MKD (VAT included).

In its call for bids, the **Municipality of Kocani** did not include specific requirements that bidding companies were to fulfil in order to demonstrate their technical and professional eligibility. The selection criterion used was “lowest price” for road and street winter maintenance per one kilometre. From the two bids received, the Municipality of Kocani signed the contract with the cheaper bid, however the contract amounted to 1,600,000 MKD (VAT included), and thereby breached the law-stipulated threshold for simplified bid collection procedure with prior announcement of call for bids. Notably, the Public Procurement Law stipulates that the simplified bid collection procedure with prior announcement of call for bids can be applied for procurement of goods and services in the amount of 5,000 to 20,000 EUR (VAT excluded). The amount of the VAT-free contract signed was by 2,000 EUR higher than the law-stipulated threshold for simplified bid collection procedures.

In the simplified bid collection procedure applied by the **Municipality of Resen**, companies were not obliged to submit documents to demonstrate their status and economic eligibility; however they were required to submit relevant declarations thereof. Only after the selection of the most favourable bid, the company that was awarded the contract was required to submit official documents in support of its declaration and related to its status and economic eligibility. The selection criterion used was “lowest price” for winter maintenance per kilometre. One of the four

companies that submitted bids was selected and the contract was signed in the amount of 1,000,000 MKD (VAT included).

The Municipality of Gjorce Petrov announced the call for bids with four lots: contracting salt spreader with plow with minimum load capacity of 5 m³, contracting backhoe loader, contracting tipper truck with plow and contracting one grader. In order to demonstrate their eligibility for tender participation, companies were required to own one machine for every procurement lot. The criterion used for the selection of the most favourable bid was “lowest price”.

Two companies applied to the call and submitted bids for separate procurement lots respectively, and the contracts were signed with them in the total amount of 1,600,000 MKD (VAT included).

As for price calculation for winter maintenance of local roads and streets on the municipal territory in the period 2010/2011, under the first procurement lot the Municipality applied the model of payment per 1 ton of salt spread. Notably, the company with whom the contract was signed would be entitled to fee payment for truck with plow and salt spreader with minimum load capacity of 5 m³ and fee payment for 1 ton of industrial salt in the amount of 15,000 MKD (VAT excluded), i.e., 17,700 MKD (VAT included). In the contracts signed with the companies, the municipality anticipated that the machinery contracted should be made available on continuous basis for the municipal territory from the date the contract was signed (22.11.2010) until the end of winter season (15.03.2011).

The Municipality of Mavrovo and Rostuse announced the call for bid related to road and street winter maintenance according to the municipality's size and thereby divided it into two regions: Mavrovo region and Reka region. For the purpose of demonstrating their technical and professional eligibility, bidding companies were required to submit only the list of services performed in the last three years.

7 bids were submitted, two of which were awarded contracts, for the separate municipal regions, respectively. The contract awarding model applied under this procedure differs from those applied by other municipalities. Notably, it used lump sum-based calculation for a period of 4 months (15.11.2010 to 15.03.2011). Lump sums vary for the two regions, where the contract for the Mavrovo region was signed in the amount of 1,652,000 MKD (VAT included) and the contract for the Reka region was signed in the amount of 1,462,020 MKD (VAT included). The municipality will

pay a total of 3,114,020 MKD for winter maintenance services. The criterion used for public procurement contract awarding was “economically most favourable bid”, and was comprised of 4 elements, those being: price, technical equipment and staff, performance deadline and payment manner. The criterion “technical equipment and staff” should have been used to assess bidders’ eligibility rather than to assess the bids.

Elements	Points
Price	60
Technical equipment and staff	20
Performance deadline	10
Payment deadline and manner	10

From the two bids received, **the Municipality of Debarca** selected one company and signed the contract in the amount of 1,121,000 MKD. The contract refers only to contracting machinery and staff.

3.2 Procurement of Industrial Salt

In the winter period of 2011, only 6 contracting authorities implemented separate procurement procedures for industrial salt, those being: Municipality of Bitola, Public Enterprise “Makedonija pat” - Skopje, City of Skopje, Public Enterprise “Ulici i patista” - Skopje, Public Communal Enterprise Tetovo and Public Communal Enterprise Kicevo. All other contracting authorities, notably the municipalities, purchased industrial salt as part of public procurement procedures for road and street winter maintenance services.

The Municipality of Bitola implemented a procurement procedure for industrial salt and crushed stone. The selection criterion used was “lowest price”. Contract was signed with one company and concerned procurement of 300 tons of salt in the total amount of 1,072,620 MKD (VAT included).

The Public Enterprise “Makedonija pat” – Skopje, by means of public procurement procedure, purchased 11,500 tons of salt for the forthcoming winter season. In order to demonstrate their technical and professional eligibility, economic operators were required to submit the list of main services delivered in the last three years, accompanied with relevant values, dates, procurement-performing entities (contracting authorities or economic operators), and to secure relevant service delivery declarations from its clients; description of the economic operator’s technical equipment and ability; attest and certificate for the quality of the industrial salt used for roads and issued by a competent institution in the Republic of Macedonia; quality certificate for the procurement type issued by the manufacturer and the country of origin. In its tender documents, “Makedonija pat” also specified the technical requirements for the salt.

The selection criterion used was “lowest price”. Contract was signed with one of the two companies that applied, in the amount of 47,495,000 MKD (VAT included).

The City of Skopje, by means of public procurement contract awarding procedure, purchased 1,500 tons of salt. Under the minimum eligibility criteria related to their technical and professional status, bidders were required to have completed at least three deliveries of the same type in the last three years and were obliged to submit attest or quality certificate for the salt issued by a competent institution in the

Republic of Macedonia, and thereby demonstrate fulfilment of requirements stipulated under the technical specifications.

The contract awarding criterion used was “lowest price”. The City of Skopje obtained only one bid to the call. The contract was signed in the amount of 6,991,500 MKD (VAT included).

The Public Enterprise “Ulici i patista” implemented an open public procurement procedure for 500 tons of salt. The minimum eligibility criteria for bidders’ technical and professional status included the list of main deliveries performed; declaration on contracted staff and vehicles, regardless of the fact whether they hold permanent contracts with (or are owned by) the economic operator and certificates (attests) for the purpose of demonstrating the quality of salt offered.

The criterion used for the selection of the most favourable bid was “lowest price”. Two companies submitted bids; the contract was signed with one of them, in the total amount of 2,448,500 MKD (VAT included).

The Public Communal Enterprise Tetovo purchased the needed 300 tons of industrial salt by means of an open public procurement procedure. The call for bids did not specify the minimum eligibility criteria for companies in order to participate in the tender. The selection criterion used was “economically most favourable bid”, and was comprised of three elements, those being: price, payment manner and deadline, and delivery deadline.

Elements	Points
Price	80
Payment manner and deadline	15
Delivery deadline	5

Two companies submitted their bids, and the contract was signed with one of them in the total amount of 1,722,800 MKD.

The Public Enterprise “Komunalec” – Kicevo purchased 20 tons of salt needed for road maintenance as part of the simplified bid collection procedure with prior announcement of call for bids. This simplified procedure requires the bidders to submit only a relevant declaration that confirms their eligibility. The selection criterion used was “economically most favourable bid”.

Elements	Points
Price	80
Payment manner and deadline	20

Only two bids were submitted and the contract was signed in the amount of 141,128 MKD (VAT included).

All other contracting authorities included in the Index of Rationality purchased the industrial salt as part of their public procurement procedures for road and street winter maintenance services. In that, in the case of Struga, the suppliers contracted for all 4 procurements lots (municipal regions) have pursued different methods to calculate the price of salt. Therefore the average of these four prices was taken into account as part of the present index. Same was the case in the Municipality of Gjorce Petrov, which was divided into three regions and where the different companies with which the relevant contracts were signed had different prices for industrial salt.

3.3 Procurement of Extra Light Fuel Oil (EL-1)

Eight of the nine institutions whose procurements were included in the present Index of Rationality purchased extra light fuel oil by applying the open procedure, and only one of them applied the simplified bid collection procedure with prior announcement of call for bids.

The Health Insurance Fund of Macedonia implemented the procurement based on the call for public procurement contract awarding for extra light fuel oil for the heating season 2010/2011 and for engine fuels. The minimum eligibility criteria for bidders' technical and professional status related to procurement of EL-1 was to hold relevant license on energy activity – wholesale trading in oil and oil derivatives and to ensure that goods bided are in compliance with the applicable Rulebook on Quality of Liquefied Fuels. The criterion used for the selection of the most favourable bid was "lowest price".

Five bids were submitted and the contract was signed with the financially most favourable bid for the quantity of 114,000 litres and in the total amount of 4,446,000 MKD.

JSC Macedonian Postal Office purchased the heating oil by means of separate call for contract awarding. Bidding companies were required to fulfil the minimum eligibility criteria related to economic operator's economic and financial status, the minimum eligibility criteria related to their technical and professional ability and quality standards applied.

The minimum eligibility criteria related to the economic and financial status of economic operators included their annual revenue for the last three years, for each year separately; balance sheet certified by a competent authority, or audited balance sheet or balance sheet excerpts in cases when balance sheet disclosure is prohibited under the legislation of the country where the economic operator is registered; excerpt from the company's overall financial transactions (data obtained from the profit and loss statement issued by a competent authority, i.e., audited profit and loss statement) and where appropriate, from financial transactions in the field covered by the public procurement contract, notably for the last three financial years for which data is available, depending on the date the company was established or started its operations, and also depending on the availability of these data. In order to

demonstrate their technical and professional ability, bidders were required to submit the list of main deliveries in the last three years, accompanied with relevant values, dates, procurement-making entities (contracting authorities or economic operators); at least 5 delivery declarations issued by service recipients from the last 3 years; declaration on available technical equipment (transportation means, digital oil meters and like); declaration on the economic operator's available technical equipment and staff and other abilities it disposes with for the purpose of performing the procurement in question, and relevant quality certificate and licenses on wholesale trading in oil and oil derivatives issued by a competent authority. Under the section on quality assurance standards, the requirements included the stipulation that the quality certificate for heating oil should be in compliance with the Rulebook on Quality of Liquefied Fuels, "Official Gazette of the Republic of Macedonia" (no. 88/07, 91/07, 97/07, 105/07, 157/07, 15/08, 78/08, 156/08 and 81/09). Under the environmental protection standards, the economic operators were required to submit a declaration confirming that the commodity complies with relevant environmental labels.

The criterion used for the selection of the most favourable bid was "lowest price". Three companies submitted bids. The contract was signed with one company for procurement of 75,000 litres of oil, in the amount of 4,425,000 MKD.

The call for public procurement contract awarding for fuel oil EL-1 **announced by the Ministry of Defence** included a long list of eligibility requirements related to bidders' technical or professional ability and quality standards applied. In order to demonstrate their eligibility, companies were to submit: license on wholesale trading in oil and oil derivatives; description of available technical equipment and human resources; declaration on oil's conformity with relevant quality standards; the list of deliveries performed accompanied with relevant values, dates, procurement-performing entities (contracting authorities or economic operators); declarations confirming timely and quality fulfilment of responsibilities issued by other clients.

In order to demonstrate oil quality, companies were required to guarantee that the fuel oil is in compliance with the Rulebook on Quality of Liquefied Fuels in the Republic of Macedonia and the international standards incorporated in the national legislation. The criterion used for the selection of the most favourable bid was "lowest price". Four companies submitted bids. The contract was signed with one company for procurement of 39,761 litres of EL-1 oil, in the amount of 1,590,425 MKD (VAT included).

The Customs Administration of the Republic of Macedonia procured 200,000 litres of oil by means of a call for contract awarding which specified only the minimum eligibility criteria for economic operators' technical and professional status. In that, bidders were required to submit the declaration confirming that the goods are in compliance with the Rulebook on Quality of Liquefied Fuels and to submit license on energy activity – trading in oil and oil derivatives.

The criterion used for the selection of the most favourable bid was “lowest price”. Three bids were obtained. The contract was signed with one company for procurement of 200,000 litres EL oil, in the amount of 10,000,000 MKD.

Considering the smaller quantity of oil purchased, **the penitentiary and correctional facility Prison - Skopje** implemented the procurement by means of simplified bid collection procedure with announcement of call for bids, which is in compliance with the law given the amount of the contract signed (smaller than the law-stipulated threshold of up to 20,000 EUR (VAT excluded)). The criterion used for contract awarding was “economically most favourable bid”.

Element	Points
Price	80
Payment manner and deadline	20

Four bids were received and the contract was signed with one company in the amount of 1,208,863 MKD, whereby 30,450 litres fuel oil were purchased.

In its call for public procurement contract awarding for fuel oil EL-1, the **Public Health Institution – Health Center Stip** required the bidders to meet the relevant eligibility criteria related to their technical or professional ability and quality standards applied. The economic operators were required to demonstrate their technical or professional eligibility by submitting the list of deliveries performed – the reference list for the last three years, accompanied with names of procurement-performing entities, dates and values; declaration issued by procurement-performing entity confirming the adequate, timely and quality performance of the said procurement (such statements were requested by at least five procurement-performing entities); description of technical equipment and staff and declaration confirming that the economic operator disposes

with special storage premises with certain capacity and disposes with specialized transportation means – distribution tank trucks, as well the declaration on technical staff and other experts employed by the bidder and responsible for contract performance.

In order to demonstrate quality, the bidders were required to submit the quality certificate for the procurement type issued by a competent institution, accompanied by a declaration that the goods bided comply with the criteria on environmental labels.

The criterion used for the selection of the most favourable bid was “lowest price”. Three bids were received, and the contract was signed with one company, which included procurement of 76,956 litres EL-1 oil in the amount of 3,540,000 MKD.

The Municipality of Gostivar implemented the procurement of 500,000 litres of fuel oils for primary and secondary schools, kindergartens and the municipal building by means of call for public procurement contract awarding. In order to demonstrate their technical and professional eligibility, the economic operators were required to submit a description of their technical equipment (distribution vehicles), as well as quality certificates for the product in question.

The contract awarding criterion used was “economically most favourable bid”, and was comprised of four elements, as follows:

Element	Points
Price	70
Payment manner and deadline	20
Delivery deadline	5
Quality	5

Five bids were received, and the contract was signed with one company in the amount of 20,127,260 MKD.

In its call for public procurement contract awarding, the **PHI Health Centre – Skopje** specified the minimum eligibility criteria for economic operators’ technical and professional ability and quality standards applied. Companies were required to submit declaration on the number of available tank trucks (specialized transportation means) for oil transportation; the list of main deliveries performed accompanied with

relevant quantities for the recipients, notary-certified and signed by the authorized person; declaration on the number of employees and their qualifications; declaration confirming that the economic operator disposes with at least three operative petrol stations and the bidder must hold license on energy activity – wholesale trading in oil and oil derivatives. For the purpose of demonstrating quality, the oil must comply with applicable standards, as defined under the Rulebook on Quality of Liquefied Fuels, which requires the submission of fuel quality certificate in compliance with the applicable standards stipulated under the Rulebook.

The criterion used for the selection of the most favourable bid was “lowest price”. One of the two bids obtained was disqualified on the grounds of incomplete documents submitted by the bidder and the contract was signed with the other bidder deemed eligible, in the amount of 23,198,500 MKD (VAT included).

In its call for public procurement contract awarding for 500,000 litres of fuel oil, the **Municipality of Butel** stipulated the minimum eligibility criteria related to the economic operators’ technical and professional ability and quality standards applied. The eligibility requirements included license on energy activity– trading in oil and oil derivatives and license on energy activity – storage of oil and oil derivatives. In order to demonstrate quality, the bidders were required to submit quality certificates for extra light fuel oil issued by the competent domestic and international institutions. Under environmental protection standards, the bidders were required to submit relevant certificates issued by the Ministry of Environment and Spatial Planning of the Republic of Macedonia and other relevant European or international standards. The criterion used for the selection of the most favourable bid was “lowest price”. Two bids were received, and the procedure continued with the organization of e-auction, which failed to reduce fuel oil prices, as both companies repeated their initial bids. Finally, the first-ranked company waived the right to contract signing, thus leaving the 20,000,000 MKD worth business to the competitive company.

3.4 Procurement of New Year Decorations

From the 27 municipalities covered by the present Index of Rationality for New Year decorations, call for bids were announced by only 6 municipalities, whereas the others pursued contract signing as part of simplified bid collection procedure without prior announcement of call for bids.

The Municipality of Aerodrom, by means of an open procedure, signed the procurement contract for light strings intended as municipal decorations, including their assembling and dismantling, which in the aftermath of the New Year 2011 should be appropriately packed and submitted to the municipal administration.

This contract was signed as late as the third public procurement procedure implemented for that purpose, after the municipality had previously annulled two procurements for New Year decorations, one due to failure to obtain a single acceptable bid and the other on the grounds that not a single bid was submitted.

The minimum eligibility criteria for bidders' participation in the tender included: the list of main activities performed in the course of the last year; description or photograph of the subject of procurement and declaration on the average number of employees and management staff in the last year, accompanied with relevant education and professional qualifications. The criterion for the selection of the most favourable bid used by the Municipality of Aerodrom under all three calls was "lowest price". In its notification submitted to the EPPS, the Municipality did not include the total number of bids obtained on the third tender, when the contract was signed in the amount of 3,540,000 MKD.

The Municipality of Bitola signed the procurement contract for New Year and Christmas decorations. The call did not specify the minimum criteria related to bidders' technical and professional eligibility. The criterion used for the selection of the most favourable bid was "economically most favourable bid", and was comprised of three elements, as follows:

Element	Points
Design idea	40
Price	40
Quality	20

Two bids were obtained, and the contract was signed with one company in the amount of 2,906,363 MKD (VAT included).

The Municipality of Cair signed the procurement contract for development and implementation of New Year decoration project following an open procedure. In order to demonstrate their technical or professional eligibility companies were required to have performed at least 3 contracts for same or similar services in the last three years; to submit the list of main services performed in the last three years and to provide references and recommendations on quality performance. The selection criterion used was “economically most favourable bid”, and was comprised of two elements, those being:

Element	Points
Project implementation cost	70
Quality	30

The contract was signed in the amount of 2,472,000 (VAT included).

The Municipality of Gazi Baba signed the procurement contract for assembling and dismantling own and rented decorations on the municipal territory, by means of a simplified bid collection procedure with announcement of call for bids. The criterion used for the selection of the most favourable bid was “lowest price”. Nevertheless, it is important to emphasize that the contract’s value of 2 million MKD, signed with the single bidder in the procedure, by far exceeds the law-stipulated threshold of 20,000 EUR.

The Municipality of Tetovo signed the procurement contract for New Year decorations by means of a simplified bid collection procedure with announcement of call for bids. Two companies submitted their bids. The selection criterion used was “economically most favourable bid”.

Element	Points
Price	60
Payment manner and deadline	20
Performance deadline	10

Warranty period	10
-----------------	----

The contract was signed in the amount of 1,489,219, and thereby - although by a small margin – it exceeded the threshold of 20,000 EUR (VAT excluded) stipulated for such (simplified) public procurement procedure.

The Municipality of Centar is the third contracting authority that signed the procurement contract for New Year decorations by means of a bid collection procedure with announcement of call for bids. The contract defined New Year lights and decorations for the Municipality of Centar. In order to demonstrate their technical or professional eligibility, bidders were required to submit the list of main services performed in the last three years (reference list) accompanied by declaration confirming service receipt issued by the recipient; education and professional qualifications of the bidder or its management staff, and in particular of persons responsible for contract performance; declaration on available technical equipment at bidder's disposal; description, catalogues and photographs of items subject to delivery, and whose reliability is confirmed by the economic operator upon contracting authority's request, and declaration by means of which the bidder commits to take corresponding actions in the event of malfunctions.

Bidders were also required to demonstrate quality of products purchased by submitting quality certificates based on relevant European or international standards. The selection criterion used was "lowest price". Only one bidder applied, and the contract was signed in the amount of 1,200,000 MKD.

The Municipality of Gjorce Petrov, which signed the procurement contract by means of a bid collection procedure with announcement of call for bids, pursued procurement, assembling, dismantling and testing of holiday decoration elements and installations (lights) on the municipal territory.

The call did not specify the minimum eligibility criteria for bidders. The criterion used for the selection of the most favourable bid was "economically most favourable bid", and was comprised of 4 elements, as follow:

Element	Points
Price	60
Payment manner and deadline	20

Warranty period of decorations procured	10
Performance deadline	10

The contract was signed with the single bidder in the total amount of 1,003,000 MKD.

In addition to municipalities named above, the remaining municipalities signed the procurement contracts for New Year decorations without prior announcement of call for bids, thereby referring to the law-stipulated bid collection procedure with three bids for procurements in the amount of 5,000 EUR (VAT excluded). Nevertheless, four of these municipalities (Strumica, Ohrid, Karpos and Veles) signed two different contracts, although both contracts refer to procurement of New Year decorations. Under these circumstances, it would have been more appropriate if the municipalities implemented one procedure (divided into lots), by means of bid collection with announcement of call for bids.

The remaining 9 municipalities (Kocani, Kicevo, Gostivar, Kisela Voda, Saraj, Kumanovo, Prilep, Struga and Butel) signed only one procurement contract.

It should be noted that as many as 5 of 7 municipalities falling under the City of Skopje and included in the present index, have signed their relevant contracts with the same company.

3.5 Procurement of Copy Paper

Copy and print paper is most commonly purchased as part of general office supplies procurements. For this type of procurements, bigger contracting authorities used the open procedure, i.e., bid collection procedure with announcement of call for bids, whereas some smaller contracting authorities procured office materials without announcement of call for bids, as part of the law-stipulated procedure on so-called small procurements in the amount of up to 5,000 EUR (VAT excluded).

The Public Enterprise “Ulici i patista” – Skopje purchased the copy paper by means of an open call for bids for office supplies procurement. The selection criterion used was “lowest price”. The call did not specify the minimum eligibility criteria for companies’ participation in the tender. Although the call for this public procurement was announced as early as February 2010, the office supplies procurement was not included in the records of the so-called small procurements for the first half of 2010, and the Public Enterprise “Ulici i patista” has still not submitted the relevant records for the second half of 2010, although the deadline thereof expired. Thus, data related to the number of companies that participated in the tender remains unavailable. The total amount of purchased copy paper is 29,972 MKD, for 200 reams of paper.

The Parliament of the Republic of Macedonia, as a big procurement-performing entity, implemented the procurement procedure for print and copy paper by means of call for contract awarding. In order to demonstrate their technical or professional eligibility, bidders were required to submit the reference list of same type deliveries performed in the last three years, accompanied with the relevant values, dates and procurement-performing entities; declarations issued by the procurement-performing entities confirming the receipt; the list of technical equipment at the economic operator’s disposal, including storage premises, delivery vehicles owned and like; certificates and attests confirming that the paper bided is in compliance with the standards and characteristics set forth in the technical specification; declaration on human resources available, accompanied by the list of employees (employment forms M1/M2) and paper samples.

The selection of the most favourable bid was based on the “economically most favourable bid” and included two elements: price and quality.

Element	Points
Price	70
Quality	30

According to the notification submitted to EPPS, the amount of this annual contract is 2,532,280 MKD (VAT included), which implies procurement of 16,770 reams of copy and print paper.

The Ministry of Transport and Communications purchased the copy paper on the basis of call for bids for office supplies. The selection criterion used was “lowest price”. The call did not specify the minimum eligibility criteria for companies’ participation in the tender. 9 bids were obtained and the contract was signed with one company, whose office supplies were valued at 400,000 MKD. According to this procurement contract, the Ministry purchased 600 reams of copy paper.

The Municipality of Kocani purchased the copy paper as part of call for bids for office supplies. The selection criterion used was “lowest price”. Two bids were obtained, and the contract was signed with one company in the amount of 479,115 MKD.

The Municipality of Aerodrom also purchased the copy paper as part of call for bids for office supplies. The selection criterion used was “lowest price”. Four bids were obtained, and the contract was signed with one company in total amount 892,346 MKD for office supplies.

The Municipality of Gjorce Petrov, as was the case with the previous two municipalities, purchased copy paper as part of the call for bids for office supplies. The selection criterion used was “economically most favourable bid” and it was comprised of two elements, as follows:

Element	Points
Price	80
Payment deadline	20

Eight bids were obtained, and the contract was signed with one company in the total amount 495,600 MKD for office supplies.

The Municipality of Kumanovo purchased the paper by means of a bid collection procedure for office supplies without prior announcement of call for bids. The number of submitted bids was not disclosed, and the total amount of the contract for office supplies was 359,306 MKD (VAT included).

The Department for General and Common Matters (DGCM) within the Government of the Republic of Macedonia is a big procurement-performing entity which purchases copy paper for several line ministries, upon their request. Thus, the department acted as the procurement-performing entities on behalf of four institutions from the present index's sample, those being: the Ministry of Local Self-Government, the Ministry of Education and Science, the Ministry of Justice and the Secretariat for European Affairs. The possible bidders in the tender organized by this department were required to present evidence related to their annual turnover in the amount of at least 6 million MKD in the last three years; to submit the list of same or similar deliveries and scope of activities performed in the last three years; to present at least three declarations issued by the recipients confirming timely and quality receipt of such deliveries; declarations confirming the technical equipment available for the procurement performance, as well as confirming expert and technical staff tasked with the procurement performance.

At the same time, the companies were required to present quality certificates for the paper issued by a competent quality control institution and declaration issued by the manufacturer on the paper quality, as well as evidence demonstrating that the economic operator is the authorized dealer for the paper on the territory of the Republic of Macedonia.

The selection of the most favourable bid was based on the criterion "economically most favourable bid", which was comprised of two elements: price and quality.

Element	Points
Price	70
Quality	30

Six bids were obtained, and the contract was signed with one company in the amount of 6,986,780 MKD (VAT included).

The Municipalities Aracinovo and Suto Orizari did not announce calls for procurement of copy paper or office supplies. According to the Public Procurement Law, such practice implies that the value of their annual office supply needs is lower than 5,000 EUR (VAT excluded). Given that both municipalities did not submit records and notifications on the so-called small procurements, this fact could not be confirmed.

The Ministry of Agriculture, Forestry and Water Economy purchased the copy paper as part of the procurement procedure for office supplies and toners, on the basis of call for contract awarding. The selection criterion used was “lowest price”. Bidders were required to demonstrate positive financial turnover for the last two years in the amount of at least 5,000,000 MKD annually, to submit the list of deliveries, quality certificates, and like. Seven bids were obtained and the contract was signed with one company, in the amount of 2,842,620 MKD (VAT included).

The Municipality of Veles purchased the copy paper as part of the office supply procurement based on call for bids. The criterion used for the selection of the most favourable bid was “lowest price”. Two bids were obtained, and the contract was signed with one company, in the total amount of 1,200,000 MKD (VAT included).

The Municipality of Bitola purchased the copy paper as part of the office supply procurement, based on call for bids. The selection criterion used was “economically most favourable bid” and was comprised of 4 elements, as follow:

Element	Points
Price	60
Payment deadline (not longer than 90 days)	20
Delivery deadline	10
Quality	10

Records submitted to EPPS do not disclose the number of bidders that participated in the tender, whereas the contract was signed in the total amount of 255,705 MKD.

The Municipality of Resen purchased the copy paper as part of the office supply procurement based on the limited bid collection procedure (three bids) without

announcement of call for bids, which is in compliance with the law stipulating that the contract's total amount should not exceed 5,000 EUR (VAT excluded). The total amount of the contract signed by the Municipality for this purpose is 307,000 MKD (VAT included).

The Municipality of Stip implemented a small procurement procedure for copy paper without prior announcement of call for bids (limited bid collection procedure), which is in compliance with the Public Procurement Law, given that the contract value amounted to 312,568 MKD (VAT included).

The Municipality of Prilep implemented the procurement on the basis of call for bids for office supplies.

Elements	Points
Price	70
Delivery deadline	10
Quality	10
Payment manner and deadline	10

Two bids were obtained and the contract was signed with one company, in the amount of 800,000 MKD.

The Municipality of Tetovo also applied the model pursued by the Municipality of Prilep, and used the "lowest price" as the selection criterion. Three bids were obtained and the contract was signed with one company, in the total amount of 499,710 MKD.

The last time the **Municipality of Demir Hisar** purchased copy paper was in December 2009, before its bank account was blocked. The limited bid collection procedure (three bids) was applied, without announcement of call for bids, which is in compliance with the law given that the total amount of the contract is 12,730 MKD (VAT included).

The Municipality of Strumica purchased the copy paper as part of the office supply procurement with call for bids.

The selection criterion used was "economically most favourable bid", and was comprised of elements related to price and payment manner and deadline.

Elements	Points
Price	80
Payment manner and deadline	20

Three bids were obtained and the contract was signed with one company, in the amount of 800,000 MKD (VAT included).

The Municipality of Gostivar purchased the paper as part of the procurement procedure for office and printing materials and services, with announcement of call for public procurement contract awarding. The selection criterion used was “economically most favourable bid”, and was comprised of the elements: price and payment manner and deadline.

Elements	Points
Price	70
Payment manner and deadline	30

The Municipality obtained only one bid and signed the contract with that company, in the total amount of 2,000,000 MKD (VAT included).

The Municipality of Sveti Nikole purchased the copy paper by applying the limited (three bids) bid collection procedure without announcement of call for bids, which is in compliance with law given that the total amount of the contract does not exceed 5,000 EUR (VAT excluded). The total contract value signed by the Municipality amounted to 324,618 MKD (VAT included).

4. GENERAL CONCLUSION

This is the first Index of Rationality calculated for Macedonia and is designed as an instrument for state institutions to improve rationality of public procurements, i.e., public spending.

As part of the first analysis, the Index of Rationality was calculated for five types of procurements. The individual indices per procurement type show significant differences in terms of the value, i.e., the price paid by different state institutions for the products and services targeted by the present index. The lowest and highest price ratio for effective hour of winter maintenance is 1:2.5, for 1 ton of industrial salt – 1:5.5, for 1 ream of standard copy paper – 1:2, for discounts of fuel oil EL-1 – 1:4, and for contracts for New Year decorations – 1:30. In that, one should take into account the fact that in most cases analysed lower prices were not attained for procurement of larger quantities, which is contrary to any economic logic. This indicates that state institutions must make serious efforts for rational public spending. Apart from price differences, the analysis also shows major discrepancies in the terms and conditions under which state institutions implement procurements for same type of products and services.

With this in mind, the state institutions should pursue thorough market research prior to announcing the calls and should pursue the procurement approach that will ensure more frugal public spending.

In this context, greater exchange of information among institutions is needed, as well as the creation of a more competitive climate that will result in attainment of lower price and better quality. All institutions should try to receive the best quality for the funds spent, i.e., higher quality and better products under lower prices. In that, institutions should not tend to attain the average price, but, when possible, they should aim to attain the lowest prices. This recommendation stems from the fact that average prices calculated as part of this index are in fact averages of individual prices attained by index-targeted contracting authorities, which *per se* do not imply that these average values reflect the actual or market values of products and services procured.

Differences in prices of products and services included in the Index of Rationality unambiguously show that organization of public tenders *per se* does not guarantee

the selection of favourable bid, or attainment of best quality for the funds spent. This is due to the fact that most prices included in the present index were attained by means of open procedures or bid collection procedures with announcement of call for bids. Nevertheless, it seems that in addition to public announcements, tenders should also be well prepared, including quality and specific tender documents, and with the aim to encourage greater competition among companies and to evaluate bids against adequate criteria and elements.

Having in mind that the present Index of Rationality includes only five types of procurements, it should not be deemed as an instrument on the basis of which general conclusions are inferred related to the operation of institutions. In fact, the rationality of an institution does not depend on several products and services, but rather on the manner of and attitude towards the performance of all procurement procedures. Therefore, the present Index of Rationality serves the purpose of providing clear indications as regards the existence of price differences and that both, national and local level institutions, should pursue frugal public spending.