

INDEX OF RATIONALITY

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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.

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

**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%

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**.

CONTRACTING AUTHORITY	PRICE IN MKD (VAT INCLUDED)	DIFFERENCE AGAINST THE AVERAGE	Index of Rationality for Industrial Salt (price for 1 ton of industrial salt)
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%

MUNICIPALITY	SUBJECT OF CONTRACT	AMOUNT IN MKD (VAT INCLUDED)	DIFFERENCE AGAINST THE AVERAGE
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.).

	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%

Index of Rationality for Copy Paper
(price per ream of copy paper)

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.

CONTRACTING AUTHORITY	AMOUNT IN MKD (VAT INCLUDED)	CONTRACTING AUTHORITY	AMOUNT IN MKD (VAT INCLUDED)	Total value of winter maintenance contracts signed, 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”.

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

ELEMENTS	БОДОВИ
Price	70
Payment deadline	30

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.

ELEMENTS	POINTS
Price	60
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).

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
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 industrial salt	20

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-axes construction vehicles (special vehicles of up to 25 tons), salt spreader and snow plow – 5 vehicles (for the entire period);
- contracting special three-axes 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-axes 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-axes 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	80
Response time	20

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.

На огласот на општина Сарај
се јавила само една фирма со
која е склучен договорот во
вредност од 1.500.000 денари.

ELEMENTS	POINTS
Price per hour	70
Technical equipment and staff	30

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”.

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

ELEMENTS	POINTS
Price	80
Response time	20

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	Two companies submitted bids, and one of them was selected and the contract was signed in the amount of 1,416,000 MKD.
Price	80	
Machinery	20	

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.

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

ELEMENTS	POINTS
Price	80
Payment manner and deadline	15
Delivery deadline	5

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	Only two bids were submitted and the contract was signed in the amount of 141,128 MKD (VAT included).
Price	80	
Payment manner and deadline	20	

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	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.
Price	80	
Payment manner and deadline	20	

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:

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

ELEMENT	POINTS
Price	70
Payment manner and deadline	20
Delivery deadline	5
Quality	5

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	Two bids were obtained, and the contract was signed with one company in the amount of 2,906,363 MKD (VAT included).
Design idea	40	
Price	40	
Quality	20	

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:

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

ELEMENT	POINTS
Project implementation cost	70
Quality	30

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”.

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.

ELEMENT	POINTS
Price	60
Payment manner and deadline	20
Performance deadline	10
Warranty period	10

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.

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.

ELEMENT	POINTS
Price	70
Quality	30

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.

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

ELEMENT	POINTS
Price	70
Quality	30

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:

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.

ELEMENT	POINTS
Price	60
Payment deadline (not longer than 90 days)	20
Delivery deadline	10
Quality	10

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	Two bids were obtained and the contract was signed with one company, in the amount of 800,000 MKD.
Price	70	
Delivery deadline	10	
Quality	10	
Payment manner and deadline	10	

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	Three bids were obtained and the contract was signed with one company, in the amount of 800,000 MKD (VAT included).
Price	80	
Payment manner and deadline	20	

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.

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

ELEMENTS	POINTS
Price	70
Payment manner and deadline	30

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.

INDEX OF RATIONALITY

2.

Skopje, June 2011

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1 INDEX OF RATIONALITY

The Index of Rationality for the second group of products (second quarterly report) was developed by means of comparing purchase prices paid for medical disposables used in the health care sector. In order to provide a better overview of the state of affairs in this sector, the Index was developed for six types of products, those being:

- transfusion kits;
- infusion kits;
- syringes;
- cotton wads;
- cotton patches; and
- calico bandages.

These products were selected because they are considered to be the most frequently used disposables by all health care centres, hospitals and clinics. The ultimate goal was to determine whether unified prices were obtained from the suppliers or there are price deviations, given the fact that these materials are used on day-to-day basis and are therefore frequently purchased. Information related to prices paid were obtained by means of Freedom of Information (FOI) applications, submitted to all contracting authorities in the health care sector and registered in the Electronic Public Procurement System (EPPS).

1.1. INDEX OF RATIONALITY FOR INFUSION KITS

The highest price attained is by 60% higher than the lowest price. Reasons for this major gap in prices obtained should be sought in major differences related to quantity purchased, as well as the type of procurement procedure applied. Notably, both hospitals that paid the highest prices purchased infusion kits by means of bids collection procedure without prior announcement of call.

The Index of Rationality for infusion kits was based on data obtained for individual prices attained per infusion kit. FOI applications were submitted to nine hospitals, eight of which responded thereto and were included in the Index, whereas the Psychiatric Hospital in Demir Hisar did not respond to the FOI application. The Index was developed on the basis of purchase price per 100 infusion kits as a standard-size package. As part of the public promotion of the Index of Rationality – prior to its printing – the PHF Specialized Hospital for Pulmonary Diseases and TBC “Lesok” was included in the analysis on infusion kits with a price of 3,186 MKD per 100 infusion kits (2,700 MKD without VAT) instead of the current price in the amount of 850 MKD. Notably, this PHF, in its response no. 03-153/2 from 14.04.2011 to the FOI application no.0302/792 from 31.03.2011, informed the Center for Civil Communications that individual infusion kits were purchased at a price of 27 MKD without VAT. Due to this difference in prices paid by the PHF Specialized Hospital for Pulmonary Diseases and TBC “Lesok”, CCC representatives contacted the Hospital in question – via telephone – and requested verification of information disclosed. Hospital representatives confirmed that they purchased infusion kits at the price indicated and explained that price deviations are due to the increased price of latex, which is a material used in infusion kits. Nevertheless, following the public promotion of the Second Index of Rationality held on 30 September 2011, which indicated that PHF “Lesok” procured the infusion kits at a price that is by 440% higher than the lowest price obtained, the hospital management reacted by indicating that there had been a misunderstanding. Notably, they explained that as part of their FOI response instead of price per infusion kit they indicated the price per infusion solution. After they had presented us with relevant invoices and delivery notices on the procurement of infusion kits at prices significantly lower than those initially communicated, the Index of Rationality for infusion kits was duly corrected.

As shown in the Table below, the lowest and highest price ratio accounts for 1:1.6 and implies that the highest price is by 60% higher than the lowest price. The average price calculated for this disposable material amounts to 742 MKD per 100 infusion kits. As a result thereof, four health facilities targeted by the present Index were ranked below and four health facilities were ranked above the indicated average price.

CONTRACTING AUTHORITY	PRICE IN MKD (VAT INCLUDED)	DIFFERENCE AGAINST THE AVERAGE	Index of Rationality for Infusion Kits (Price per package of 100 infusion kits)
PHF Clinical Hospital Tetovo	590	-20.49%	
PHF Clinical Hospital Stip	602	-18.87%	
PHF Specialized Hospital for Orthopaedics and Traumatology "St. Erasmus" Ohrid	640	-13.75%	
PHF Clinical Hospital Bitola	660	-11.05%	
Average	742	0.00%	
PHF Specialized Hospital for Gynaecology and Obstetrics "Cair" Skopje	825	+11.19%	
PHF Psychiatric Hospital "Skopje"	826	+11.32%	
PHF Specialized Hospital for Pulmonary Diseases and TBC "Lesok"	850	+14.56%	
PHF Psychiatric Hospital "Negorci" Gevgelija	944	+27.22%	

Reasons for such high differences in price can only be partially justified by the quantity of infusion kits purchased. Notably, the Clinical Hospital Bitola - which purchased 130,000 kits did not attain the lowest price. On the other hand, quantities purchased affected the price attained by PHF Psychiatric Hospital "Negorci" in Gevgelija, which purchased only 200 kits.

Quantity of infusion kits purchased

CONTRACTING AUTHORITY	NUMBER OF INFUSION KITS	DIFFERENCE AGAINST THE AVERAGE PRICE
PHF Clinical Hospital Tetovo	84 000	-20.49%
PHF Clinical Hospital Stip	60 000	-18.87%
PHF Specialized Hospital for Orthopaedics and Traumatology "St. Erasmus" Ohrid	5 000	-13.75%
PHF Clinical Hospital Bitola	130 000	-11.05%
PHF Specialized Hospital for Gynaecology and Obstetrics "Cair" – Skopje	10 000	+11.19%
PHF Psychiatric Hospital "Skopje"	3 200	+11.32%
PHF Specialized Hospital for Pulmonary Diseases and TBC "Lesok"	1 000	+14.56%
PHF Psychiatric Hospital "Negorci", Gevgelija	200	+27.22%

Great differences in prices included in the present Index cannot be explained by the type of public procurement procedure applied. Notably, seven of the eight health care facilities (Clinical Hospital Tetovo, Clinical Hospital Stip, Specialized Hospital for Orthopaedics and Traumatology "St. Erasmus" Ohrid, Clinical Hospital Bitola, Specialized Hospital for Gynaecology and Obstetrics "Cair" Skopje, Psychiatric Hospital "Negorci" – Gevgelija, and Specialized Hospital for Pulmonary Diseases and TBC "Lesok") purchased infusion kits by applying the open procedure for procurement of different medical disposables. In that it should be noted that PHF Psychiatric Hospital "Negorci" Gevgelija purchased the infusion kits by applying an open procedure and paid the highest procurement price. The Psychiatric Hospital "Skopje" and PHF Specialized Hospital for Pulmonary Diseases and TBC "Lesok" purchased infusion kits by means of bid-collection procedure without previously announced call, which was reflected in the obtaining of prices higher than the average by 11.32%, or 14.56%, respectively.

The criterion "lowest price" was used only by two out of the eight hospitals targeted by the analysis, namely, PHF Clinical Hospital Bitola and PHF Psychiatric Hospital "Negorci". Both institutions, however, failed to obtain the maximum effect of the criterion used.

Based on the above given information, the conclusion was inferred that

differences in purchase price for infusion kits cannot be justified by the quantity purchased or the type of public procurement procedure applied, or the criteria used for selection of the most favourable bid. Obvious is that reasons for such differences in price should be sought elsewhere, i.e., in other factors that are - most likely - of subjective nature, rather than in objective differences and characteristics of procurement procedures applied.

It should be noted that this Index of Rationality for infusion kits undoubtedly leads to the conclusion that implementation of open procedures does not guarantee cost-effective and rational public spending.

1.2. INDEX OF RATIONALITY FOR TRANSFUSION KITS

The difference between the lowest and highest price attained for procurement of this product accounts for 22% and is the smallest difference recorded to date. The institution that attained the lowest price for procurement of this product paid a price that is by 6.8% lower than the average, whereas the institution that attained the most expensive price paid a price that is by 14% higher than the average. All procurements included in the Index applied the open procedure divided into lots with previously announced call for awarding public procurement contract. This practice proved to be conducive to decreasing prices per lots compared to procurements where the procurement subject is undividable.

The Index of Rationality for transfusion kits was based on procurements made by general hospitals. Prices were obtained by means of FOI applications submitted to 13 city general hospitals. 11 hospitals responded to the applications, while two of them (PHF General Hospital Kumanovo and PHF General Hospital Gostivar) provided answers that they do not hold information on the price per transfusion kit because they are purchased by the Transfusiology Institute in Skopje. Following the FOI applications submitted and a series of follow-up urges, the Institute submitted an official response wherein it indicated that it does not use transfusion kits and thus does not hold such information. This does not correspond to the response given by the two hospitals which claimed that their transfusiology wards are transferred under the jurisdiction and management of the Transfusiology Institute in Skopje, which disposes with information as regards the price of transfusion kits used by these two hospitals. Two hospitals did not respond to the FOI applications, those being: PHF General Hospital Veles and PHF General Hospital Kavadarci. Therefore, the Index of Rationality for transfusion kits was based on price per 100 infusion kits paid by 9 general hospitals in the Republic of Macedonia.

**Index of Rationality for
Transfusion Kits**
(price per 100 transfusion
kits)

CONTRACTING AUTHORITY	PRICE IN MKD (VAT INCLUDED)	DIFFERENCE AGAINST THE AVERAGE
PHF General Hospital Struga	922	-6.82%
PHF General Hospital Kocani	922	-6.21%
City General Hospital "8 Septemvri" Skopje	968	-1.53%
PHF General Hospital Prilep	975	-0.81%
PHF General Hospital Gevgelija	980	-0.31%
PHF General Hospital Strumica	980	-0.31%
Average	983	0.0%
PHF General Hospital Kicevo	989	+0.61%
PHF General Hospital Ohrid	990	+0.71%
PHF General Hospital Debar (2011)	1,121	+14.03%

The average price paid by hospitals for procurement of 100 transfusion kits amounts to 983 MKD. Six contracting authorities purchased the kits under prices cheaper than the average, whereas three contracting authorities attained more expensive purchase prices compared to the average. The contracting authority which purchased the transfusion kits under the lowest price, i.e., 922 MKD for a standard-size package of 100 kits, paid a price that is by 6.82% lower than the average. On the contrary, the institution which paid the most expensive price for these kits, i.e., 1,121 MKD per 100 kits, accepted a price that is by 14.03% higher compared to the average price calculated. The highest and lowest price ratio is 1:1.22 and represents one of the smallest differences recorded to date and included in the Index of Rationality.

All procurements were implemented as open procedures divided into lots with previously announced call for awarding public procurement contract, which proved to be conducive in terms of obtaining lower prices. The analysis shows that prices attained for procurement of transfusion kits were not necessarily proportional to the quantity purchased, although procurement of larger quantity was supposed to result in attainment of lower prices. Nevertheless, the quantity purchased had a certain effect on the price attained by the contracting authority that paid the most expensive price per transfusion kit (PHF General Hospital Debar), notably because it purchased the smallest quantity thereof.

CONTRACTING AUTHORITY	NUMBER OF TRANSFUSION KITS	DIFFERENCE AGAINST THE AVERAGE PRICE	Quantity of transfusion kits purchased
PHF General Hospital Struga	36 000	-6,82%	
PHF General Hospital Kocani	10 000	-6,21%	
City General Hospital "8 Septemvri" Skopje	10 000	-1,53%	
PHF General Hospital Prilep	20 000	-0,81%	
PHF General Hospital Gevgelija	2 400	-0,31%	
PHF General Hospital Strumica	10 000	-0,31%	
PHF General Hospital Kicevo	1 500	+0,61%	
PHF General Hospital Ohrid	20 000	+0,71%	
PHF General Hospital Debar	500	+14,03%	

As regards the criteria for the selection of the most favourable bid, only one hospital (PHF General Hospital Ohrid) used the selection criterion "lowest price", whereas the remaining eight hospitals used the criterion "economically most favourable bid". In that, as shown in the present Index of Rationality, the single institution that used the criterion "lowest price" falls under the group of hospitals that attained prices higher than the average. This undoubtedly confirms the conclusion that the selection of the financially most favourable bid does not depend only on the selection criteria used, but on other factors as well (eligibility criteria for companies, tender specifications, definition of procurement lots, and like). Hospitals that purchased transfusion kits using the criterion "economically most favourable bid" frequently included the element "payment deadline and manner", whereas a number of them also included the element "quality".

1.3. INDEX OF RATIONALITY FOR COTTON PATCHES

The ratio between the lowest and highest price for procurement of this product accounts for 1:1.5, i.e. the highest price attained is by 54% higher than the lowest price. Five clinics purchased cotton patches under prices lower than the average, whereas four clinics purchased the patches under prices higher than the average. The lowest price is by 21.86% lower than the average and the highest price is by 20.06% higher than the average price calculated. Moreover, the fact that the criterion “lowest price” does not necessarily result in the selection of low-priced bids is confirmed by data indicating that all three clinics which attained purchase prices higher than the average used the said criterion.

The present Index of Rationality was based on prices paid by clinics for procurement of this basic medical disposable.

Index of Rationality for Cotton Patches

(Price per package
of 10 cotton patches
5cm x 5m)

CONTRACTING AUTHORITY	PRICE IN MKD (VAT INCLUDED)	DIFFERENCE AGAINST THE AVERAGE
University's Ophthalmology Clinic	261	-21,86%
University's Surgical Clinic "St. Naum Ohridski"	307	-8,08%
University's Cardiology Clinic	315	-5,69%
University's Nephrology Clinic	319	-4,49%
Public Institute in the field of health care tasked to address needs of Public Health Facilities, University's Clinics, Public Health Institutes and Emergency Rooms	325	-2,69%
Average	334	0,00%
University's Otorhinolaryngology Clinic	342	+2,40%
University's Radiotherapy and Oncology Clinic	344	+2,99%
University's Gynaecology and Obstetrics Clinic	391	+17,07%
University's Dental Clinical Centre "St. Pantelejmon"	401	+20,06%

In order to provide data required for the development of this Index of Rationality, FOI applications were submitted to all 29 clinics registered in the Electronic Public Procurement System, whereby we requested data on the purchase price of cotton patches with dimensions 5cm x 5m. 17 clinics responded to FOI applications, 7 of which indicated that they were supplied with patches by the Public Institute in the field of health care tasked to address needs of Public Health Facilities, University's Clinics, Public Health Institutes and Emergency Rooms, those being: Clinics for Haematology, Pulmonology and Allergology, Neurology, Plastic and Reconstructive Surgery, Urology and Paediatric Surgery. University's Psychiatric Clinic notified us that it does not use patches, while 12 University's Clinics did not respond to the FOI applications submitted, those being: the Clinics for Digestive Surgery, Gastroenterohepatology, Dermatology, Paediatrics, Infectious and Febrile Diseases, Maxillofacial Surgery, Neuro-Surgery, Rheumatology, Endocrinology, Toxicology, Clinical Biochemistry and Radiology. Therefore, the Index of Rationality for cotton patches was based on comparison of prices paid by nine clinics for standard package of 10 cotton patches 5x5.

As presented in the Index of Rationality, the ratio between the highest and lowest price paid by the clinics for the procurement of cotton patches with dimensions 5x5 is 1:1.5, i.e., the highest price is by 54% higher than the lowest price paid.

The average price paid for procurement of patches amounts to 334 MKD per package of 10. Five clinics purchased the patches at prices lower than the average, while four clinics purchased the patches at prices higher than the average price calculated. In that, the lowest price paid is by 21.86% lower than the average and the highest price is by 20.06% higher than the average price. It is important to note that the highest price paid for procurement of cotton patches is similar to their retail price, which is contradictory given the fact that market placement of patches in pharmacies implies additional costs.

In terms of the type of public procurement procedure applied, differences in price can be considered expected only in regard to the University's Dental Clinical Centre "St. Pantelejmon" in Skopje, given that this facility implemented the procurement procedure by collecting three bids and without previously announced call for bids. All other Clinics applied the open procedure with previously announced call for awarding public procurement contract. All clinics purchased the patches as part of procurement of medical disposables with defined lots. The fact that the criterion "lowest price" does not necessarily result in the selection of low-priced bids is also confirmed by the fact that this criterion was used by all three clinics that attained purchase prices higher than the average. On the contrary, three of the five clinics that attained prices lower than the average used the selection criterion "economically most favourable bid" and allocated rank-points for elements "payment deadline" or "quality". The highest number of points allocated to the element "quality" (30 from 100 points in total) was recorded with the Public Institute in the field of health care tasked to address needs of Public Health Facilities, University's Clinics, Public Health Institutes and Emergency Rooms.

The relation between prices paid and quantity purchased indicates only partial interconnection. Notably, the highest purchase price for patches was paid for procurement of the smallest quantity thereof (University's Dental Clinical Centre "St. Pantelejmon"), while at the same time the lowest price attained was also connected to procurement of small quantity of patches (Ophthalmology Clinic).

Quantity of cotton patches purchased	CONTRACTING AUTHORITY	NUMBER OF COTTON PATCHES	DIFFERENCE AGAINST THE AVERAGE PRICE
	University's Ophthalmology Clinic	300	-23,64%
	University's Surgical Clinic "St. Naum Ohridski"	6 500	-10,18%
	University's Cardiology Clinic	1 000	-7,84%
	University's Nephrology Clinic	4 000	-6,67%
	Public Institute in the field of health care tasked to address the needs of Public Health Facilities, University's Clinics, Public Health Institutes and Emergency Rooms	18 000	-4,92%
	University's Otorhinolaryngology Clinic	1 000	+0,06%
	University's Radiotherapy and Oncology Clinic	2 000	+0,64%
	University's Gynaecology and Obstetrics Clinic	1 500	+14,39%
	University's Dental Clinical Centre "St. Pantelejmon"	60	+17,32%

1.4. INDEX OF RATIONALITY FOR SYRINGES

The lowest price is by 12.34% lower than the average, and the highest price is by 26.6% higher than the average price calculated. The lowest and highest price ratio is 1:1.44, which means that the highest price is by 44% higher than the lowest price attained for procurement of syringes. This confirms the conclusion that in cases of multiple-product purchases it is better to divide the procurement subject into lots.

13 Health Care Centres from the Republic of Macedonia were included in the development of the Index of Rationality for 5 ml syringes. Data were obtained based on FOI applications submitted to 17 health care centres, 4 of which did not respond (Health Care Centres from Kavadarci, Delcevo, Krusevo and Kocani) and hence they were not included in the Index of Rationality. Prices were compared based on the price paid per standard package of 100 individual 5 ml syringes.

CONTRACTING AUTHORITY	PRICE IN MKD (VAT INCLUDED)	DIFFERENCE AGAINST THE AVERAGE	Index of Rationality for 5 ml Syringes (Price per package of 100 syringes)
Health Care Centre Kriva Palanka	135	-12,34%	
Health Care Centre Bitola	136	-11,69%	
Health Care Centre Demir Hisar	136	-11,69%	
Health Care Centre Gostivar	142	-7,79%	
Health Care Centre Kicevo	142	-7,79%	
Health Care Centre Gevgelija	142	-7,79%	
PHF Health Care Centre Valandovo	142	-7,79%	
Health Care Centre Vevcani	153	-0,65%	
Average	154	0,00%	
Health Care Centre Kumanovo	166	+7,79%	
Health Care Centre Berovo	169	+9,74%	
Health Care Centre Kratovo	169	+9,74%	
Health Care Centre Vinica	177	+14,94%	
Health Care Centre Veles	195	+26,6%	

The average price per for package of 100 individual 5 ml syringes as paid by the contracting authorities amounts to 154 MKD. Eight health care centres purchased the syringes under prices cheaper than the average, and five health care centres purchased the syringes under more expensive prices compared to the average. The lowest price is by 12.34% lower than the average, and the highest price is by 26.6% higher than the average price. The lowest and highest price ratio is 1.44, which means that the highest price is by 44% higher than the lowest price attained for procurement of syringes. In practice, this implies

that if the Health Care Centre Veles had bought syringes under the lowest price attained, it would have paid 27,000 MKD for 20,000 syringes instead of 39 000 MKD, which was the value paid for this contract.

Such differences in the value of syringes purchased are significant given the fact that this product is only one item from the long list of medical disposables that are subject of procurement. Notably, when priority is not given to rationality for all procurement lots and items, it results in unreasonable increase in total public spending made by health care institutions.

**Quantity of syringes
purchased**

CONTRACTING AUTHORITY	NUMBER OF SYRINGES	DIFFERENCE AGAINST THE AVERAGE PRICE
Health Care Centre Kriva Palanka	23 000	-12,34%
Health Care Centre Bitola	15 000	-11,69%
Health Care Centre Demir Hisar	4 500	-11,69%
Health Care Centre Gostivar	1 800	-7,79%
Health Care Centre Kicevo	10 000	-7,79%
Health Care Centre Gevgelija	12 000	-7,79%
PHF Health Care Centre Valandovo	4 500	-7,79%
Health Care Centre Vevcani	2 500	-0,65%
Health Care Centre Kumanovo	30 000	+7,79%
Health Care Centre Berovo	5 000	+9,74%
Health Care Centre Kratovo	5 000	+9,74%
Health Care Centre Vinica	2 000	+14,94%
Health Care Centre Veles	20 000	+26,60%

An in-depth analysis of the quantity of syringes purchased indicates that differences in price were unlikely to occur on the grounds of quantities purchased.

Notably, 23,000 syringes were purchased under the lowest price attained and this quantity is slightly bigger in number from the quantity purchased under the highest price (20,000 syringes). This conclusion is supported also by the fact that the two health care centres that purchased the smallest quantities (Health Care Centre Gostivar and Health Care Centre Vevcani) are included in the group of contracting authorities that attained prices lower than the average, whereas the Health Care Centre that purchased the largest quantity of syringes actually attained a price higher than the average (Health Care Centre Kumanovo).

Once quantity is eliminated as price-determining factor, the question

is raised whether differences in price are due to the type of public procurement procedure applied. The analysis indicates that the lowest price for procurement of syringes was attained as part of open procedure, which is considered to be the procedure that provides greater competition among economic operators and enables the contracting authorities to make the most favourable selection. Oddly enough, even in regard to the highest price attained for procurement of syringes (Health Care Centre Veles) the type of procurement procedure applied was bid-collection with previously announced call and is considered an open procedure, although it includes shorter deadlines for bid submission and simplified tender documents.

The significant difference in prices cannot be fully explained also by the criterion used for the selection of the most favourable bid, as the health care centre that attained the lowest and the health care centre that attained the highest price both used the same criterion for selection of the economically most favourable bid, notably by including the following two elements: "price" and "payment manner and terms". Thus, the reasons for the 44% difference between the lowest and highest price should be sought in other aspects of the procurement procedure, and not only in terms of procedure type and the selection criterion used.

Notably, as part of its call for bids related to procurement of medical disposables, including syringes, the Health Care Centre Veles indicated that the procurement is not divided into lots, which means that all procurement items will be purchased from one company and that the most favourable bid will be assessed as a whole and not per procurement lots. Unlike this model, the health care centre that attained the lowest price decided to divide the procurement subject into lots, which provides increased competition among suppliers of different items. In the case of procurement of syringes, this approach proved to be quite rational. The procurement made by the Health Care Centre Berovo provides further evidence in support of the conclusion inferred that procurement subject divided into lots should be the preferable approach used in cases of multiple product procurements. Namely, apart from the Health Care Centre in Kriva Palanka, this is the only other institution that applied the open procedure for procurement of different disposables, including syringes, but did not divide the procurement subject into lots, i.e., one company was expected to supply an array of products (laboratory, medical, dental and ambulance disposables). Perhaps the reasons for the higher price attained by this health care centre compared to the average price calculated for procurement of 5 ml syringe should be sought in the undivided procurement subject.

However, the assumption that prices attained under public procurement procedures are due to certain subjective factors is best confirmed by the fact that as many as 7 of the 13 health care centres targeted with the Index of Rationality for 5 ml syringes signed procurement contracts without previously announced call for bids, i.e., they used the law-stipulated procedure for small procurements in the amount of 5,000 EUR where the most favourable bid is selected from the bids submitted by three companies which the contracting authority addressed with a limited call for bids. In that, 5 of them (Health Care Centre Demir Hisar, Health Care Centre Gostivar, Health Care Centre Gevgelija, PHF Health Care Centre

Valandovo and Health Care Centre Vevcani) attained prices lower than the average, and only two health care centres signed contracts without previously announced call for bids and attained prices higher than the average (Health Care Centre Kratovo and Health Care Centre Vinica). The fact that lower prices were attained under procedures implemented without previously announced call for bids (procedures applied for small procurements, which are considered non-transparent) compared to prices attained under open procedures raises doubts in regard to the quality of open procedures implemented.

1.5. INDEX OF RATIONALITY FOR COTTON WADS

The lowest and highest price ratio is 1:1.35, which means that the highest price is by 35% higher than the lowest price. Considering the fact that for the procurement of cotton wads most health care centres applied the bid-collection procedure with previously announced call for bids and in that divided the procurement subject into lots, the differences in price attained for this type of procurement can be explained by differences in quantity purchased.

A second group of health care centres was targeted for the purpose of developing the Index of Rationality for 1000 gr cotton wads used for medical purposes. 16 FOI applications were submitted to the contracting authorities targeted, 7 of which (Health Care Centres in Makedonski Brod, Pehcevo, Radovis, Strumica, Tetovo, and Health Care Centre Zeleznicar in Skopje) did not respond, while the Health Care Centre Rostuse responded that it does not procure cotton wads. Therefore, this Index is comprised of eight health care centres.

Index of Rationality for Cotton Wads (Price per 1000 gr cotton wads)	CONTRACTING AUTHORITY	PRICE IN MKD (VAT INCLUDED)	DIFFERENCE AGAINST THE AVERAGE
	PHF Health Care Centre Resen	201,0	-12,45%
	PHF Health Care Centre Skopje	220,0	-4,18%
	PHF Health Care Centre Probistip	224,0	-2,44%
	PHF Health Care Centre Sveti Nikole	225,0	-2,00%
	Average	229,6	0,00%
	PHF Health Care Centre Negotino	230,0	+0,17%
	PHF Health Care Centre Prilep	230,0	+0,17%
	PHF Health Care Centre Struga	236,0	+1,79%
	PHF Health Care Centre Ohrid	271,0	+18,03%

The Index of Rationality for 1000 gr cotton wads provides the conclusion that differences in price exist in regard to procurement of these basic disposables as well. Prices paid for 1000 gr cotton wads fall in the range from 201 to 271 MKD. Four health care centres purchased the cotton wads under prices lower than the average and four health care centres attained prices higher than the average price calculated. The lowest and highest price ratio is 1:1.35, which means that the highest price is by 35% higher than the lowest price.

Considering the fact that for the purpose of purchasing cotton wads, most health care centres applied the bid-collection procedure with previously announced call where the procurement subject is divided into lots, differences in price attained can be explained with differences in quantity purchased. Namely, the Health Care Centre Ohrid attained the highest purchase price for cotton wads because it purchased only 6 kg cotton wads.

CONTRACTING AUTHORITY	COTTON WOOL (IN KG)	DIFFERENCE IN PRICES AGAINST THE AVERAGE	Quantity of cotton wads purchased
PHF Health Care Centre Resen	120	-12,45%	
PHF Health Care Centre Skopje	2 000	-4,18%	
PHF Health Care Centre Probistip	20	-2,44%	
PHF Health Care Centre Sveti Nikole	65	-2,00%	
PHF Health Care Centre Negotino	180	+0,17%	
PHF Health Care Centre Prilep	190	+0,17%	
PHF Health Care Centre Struga	80	+1,79%	
PHF Health Care Centre Ohrid	6	+18,03%	

The analysis of the Index of Rationality for cotton wads provides the conclusion that the open procedure where the procurement subject is divided into lots as applied by Health Care Centres in Skopje and in Probistip resulted in the attainment of favourable low prices. In that one should note that these two procedures used the selection criterion "economically most favourable bid", where points were allocated also for the element "quality". On the contrary, the other two contracting authorities which attained prices lower than the average used the selection criterion "lowest price". Based on the above given, the conclusion is inferred that in the attempt to obtain more valuable contracts (which also imply greater quantities of goods procured), the suppliers are prone to reducing the prices bided.

1.6. INDEX OF RATIONALITY FOR BANDAGES

The highest price under which bandages were purchased is almost twice the lowest price. The highest price is even higher than retail prices of bandages in pharmacies. This great difference in prices attained cannot be justified by the quantity purchased. Reasons thereto could be identified in the type of public procurement procedure applied. The lowest price was attained as part of an open procedure, whereas the highest price was attained in the procedure with collection of three bids, without previous announcement of call for bids.

The Index of Rationality for calico bandages with dimensions 8cm x 5m was based on prices disclosed by 11 health care facilities that were addressed with FOI applications. From the total number of institutions addressed with these applications only the Health Care Institute for Nephrology in Struga did not provide a response thereto. However, some institutions responded that they do not use bandages, while the Health Care Institute for Protection and Rehabilitation "Banja Bansko" and the Health Care Institute for Rehabilitation of Children and Youth – Skopje referred us to the Ministry of Labour and Social Policy explaining that this line ministry supplies them with bandages. Despite the several FOI applications we submitted, the Ministry did not disclose the price under which it purchased bandages.

Hence, the Index of Rationality for calico bandages was based on prices disclosed by four Health Care Institutes and one Psychiatric Hospital and concerns the procurement of standard package of 10 calico bandages 8cm x 5m.

Index of Rationality for Bandages (Price per package of 10 calico bandages 8x5)	CONTRACTING AUTHORITY	PRICE IN MKD (VAT INCLUDED)	DIFFERENCE AGAINST THE AVERAGE
	Gerontology Institute "13 Noemvri" Skopje	81	-22,86%
	Health Care Institute for Prevention, Treatment and Rehabilitation of Chronic, Respiratory, Non-Specific and Allergic Diseases Otesevo	91	-13,33%
	Health Care Institute for Physical Medicine and Rehabilitation Skopje	94	-10,48%
	Average	105	0,00%
	Psychiatric Hospital "Negorci" – Gevgelija	106	+0,95%
	Health Care Institute for Rehabilitation of Children with Damaged Hearing "Koco Racin" – Bitola	153	+45,71%

The highest purchase price paid for calico bandage 8cm x 5m is almost twice the lowest price, i.e., the highest and lowest price ratio is 1:1.9. Three contracting authorities attained prices lower than the average price of 105 MKD per package of 10 bandages, while two contracting authorities attained prices higher than the average. In that, the highest price attained was recorded with the Health Care Institute for Rehabilitation of Children with Damaged Hearing "Koco Racin" – Bitola and is by 45.71% higher than the average. It should be noted that the highest price also exceeds the product's retail price. These major differences in price for procurement of bandages cannot be justified by the quantity purchased. As shown in the Table below, the lowest price was attained for procurement of smaller quantities compared to the quantity of bandages that was purchased under the highest price.

CONTRACTING AUTHORITY	NUMBER OF BANDAGES	DIFFERENCE AGAINST THE AVERAGE PRICE
Gerontology Institute "13 Noemvri" Skopje	200	-22,86%
PHF Health Care Institute for Prevention, Treatment and Rehabilitation of Chronic, Respiratory, Non-Specific and Allergic Diseases Otesevo	150	-13,33%
Health Care Institute for Physical Medicine and Rehabilitation Skopje	30	-10,48%
PHF Psychiatric Hospital "Negorci", Gevgelija	30	+0,95%
Health Care Institute for Rehabilitation of Children with Damaged Hearing "Koco Racin" – Bitola	300	+45,71%

Quantity of calico bandages 8x5 purchased

However, if differences in price cannot be justified by the quantity purchased, they must be due to the type of public procurement procedure applied. Namely, the lowest price (Gerontology Institute "13 Noemvri" – Skopje) was attained as part of an open procedure, whereas the highest price (Health Care Institute for Rehabilitation of Children with Damaged Hearing "Koco Racin" – Bitola) was attained as part of bid collection procedure without previously announced call for bids. The procedure for small procurements in the amount of 5,000 EUR that does not guarantee any transparency was pursued by the Health Care Institute for Prevention, Treatment and Rehabilitation of Chronic, Respiratory, Non-Specific and Allergic Diseases Otesevo and the Health Care Institute for Physical Medicine and Rehabilitation Skopje.

2

GENERAL CONCLUSION

Identified differences in price attained for procurement of given products are very important, given that they were obtained for a small group of products from the long list of medical disposables needed for day-to-day work of health care facilities country-wide. The findings presented in this Index of Rationality confirm the general rule that open procedures result in attainment of the most favourable prices and the conclusion that in addition to announcing a public call for bids, tender procedures should be properly prepared. Division of the procurement subject into lots proved to be conducive to obtaining lower prices. The analysis presented in this report deconstructs the widespread illusion that application of the selection criterion “lowest price” results in obtaining the financially most favourable bid.

If the purpose of this Index of Rationality was to provide an overview of the state-of-affairs in the health care sector by comparing prices attained for procurement of small medical disposables and to determine whether past experiences related to procurement of these items have led to more unified purchase prices – the first conclusion inferred indicates that there are significant differences in price attained which in most cases raises concerns as to rationality of public spending.

The lowest and highest price ratios per individual product are the following:

- 1 : 1.6 for infusion kits, i.e., the highest price is by 60% higher than the lowest price;
- 1 : 1.22 for transfusion kits, i.e., the highest price is by 22% higher than the lowest price;
- 1:1.5 for cotton patches, i.e., the highest price is by 50% higher than the lowest price;
- 1:1.44 for 5 ml syringes, i.e., the highest price is by 44% higher than the lowest price;
- 1:1.35 for cotton wads, i.e., the highest price is by 35% higher than the lowest price; and
- 1:1.9 for calico bandages 8 cm x 5 m, i.e., the highest price is almost two times higher than the lowest price.

Differences in price attained are significant, given that they were obtained for a small group of products from the long list of medical disposables needed for the day-to-day work of health care facilities country-wide.

In that, most distressing is the fact the highest prices attained by the relevant institutions for some of the analysed products (bandages and patches) are equal to or exceed products' retail prices in pharmacies. Most certainly, such practices are not considered to be cost-effective. If such differences are common in terms of broadly available products, the question is raised as to what happens with purchase prices for more sophisticated medical materials and equipment?

Given that the Freedom of Information Law stipulates an obligation for information holders to disclose information requested by means of FOI applications, unclear remains why significant number of health care facilities did not disclose information related to prices paid for procurement of certain products. The question is also raised whether some institutions do not respond because of objective reasons or maybe attempt to conceal prices and avoid being held accountable for irrational spending of taxpayers' money, in particular by ignoring their legal obligation. The dilemma remains whether differences in price would be even greater if all health care facilities disclosed the information requested.

Findings stemming from the Index of Rationality developed for six commonly used products at health care facilities provide evidence in support of the general rule that open procedures result in attainment of the most favourable prices. However, considering the fact that significant differences were also recorded in regard to prices attained as part of open procedures and bid-collection procedures with previously announced call, the conclusion is confirmed that in addition to announcing public call for bids, tender procedures should be properly prepared and should include high quality and precise tender documents, which will stimulate greater competition among bidding companies and will result in attainment of more favourable prices.

Moreover, division of the procurement subject into lots proved to be conducive to decreasing prices of products that are subject of procurement. Evidence in support of this conclusion can be identified in high purchase prices attained as part of procurement procedures that were not divided into lots whereby all products were purchased from one supplier and the insignificant differences in price attained as part of open procedures where the procurement subject was divided into lots. At the same time, the analysis deconstructs the widespread illusion that use of the selection criterion "lowest price" results in obtaining the financially most favourable bids. As unlikely as it might sound, most institutions attained more favourable prices when using the selection criterion "economically most favourable bid", which implies allocation

of rank-points to other elements in addition to the “price” element, such as quality, payment deadline, and like. Why? Of course, a serious factor contributing to this situation is the problem already identified by the ongoing monitoring of public procurements. Namely, instead of precisely defined tender specifications and determined quality that products or services bided should meet in order to compete only in terms of prices bided, most tender procedures include high eligibility criteria for companies’ participation. Hence, in most procurement procedures that used the selection criterion “lowest price” companies that submitted the financially most favourable bids are excluded from the bid-evaluation process with explanation that they were not qualified for participation in the public procurement procedure, i.e. failed to meet the defined eligibility criteria. Such practices are beneficial for pharmaceutical wholesalers that sustain on the Macedonian market for years now and hold the dominant position in this sector.

