

INDEX OF RATIONALITY

16



USAID
FROM THE AMERICAN PEOPLE



FOUNDATION
ОПЕНОТОПЕРО
СООБЕШЕСТВО
МАКЕДОНИЈА
ФОНДАЦИЈА
ОПЕНОТОПЕРО
СООБЕШЕСТВО
МАКЕДОНИЈА



Center for Civil Communications
Центар за граѓански комуникации

16

INDEX of
RATIONALITY

Skopje, December 2016

INDEX OF RATIONALITY 16

Publisher:

Center for Civil Communications

Translation into English:

Abakus

Design & Layout:

Brigada dsgn

Print:

Propoint

Circulation:

300 copies

Free/non-commercial circulation

CIP - Каталогизација во публикација

Национална и универзитетска библиотека "Св. Климент Охридски", Скопје

35.073.53:005.584.1(497.7)"2016"

ИНДЕКС на рационалност 16. - Скопје : Центар за граѓански комуникации,
2017. - 26, 26 стр. : табели ; 20x20 см Насл. стр. на припечатениот текст:

Index of rationality 16. - Обата текста меѓусебно печатени во спротивни
насоки. - Текст на мак. и англ. јазик. - Фусноти кон текстот

ISBN 978-608-4709-50-3

а) Јавни набавки - Рационално трошење - Мониторинг - Македонија -2016
COBISS.MK-ID 102691338

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

16

INDEX of
RATIONALITY

Table of contents

| | |
|--------------------------------------------------------------------------------------------------|----|
| 1. GOALS AND METHODOLOGY | 7 |
| 2. INDEX OF RATIONALITY | 9 |
| 2.1. Index of Rationality for Electricity..... | 10 |
| 2.2. Index of Rationality for Carwash Services..... | 13 |
| 2.3. Index of Rationality for Written Translation..... | 16 |
| 2.4. Index of Rationality for Commission Rates Charged by Agencies for Temporary Employment..... | 18 |
| 2.5. Index of Rationality for Behaton Paving Elements..... | 21 |
| 3. GENERAL CONCLUSION | 22 |

1

Goals and methodology

Center for Civil Communications from Skopje is the only non-governmental organization in the Republic of Macedonia that implements direct and comprehensive monitoring of public procurements in the country. In an attempt to make additional contribution to advancing state-of-affairs in this field, the Center initiated development of 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' effective spending of budgets sustained by taxpayers.

Index of Rationality is developed by comparing prices under which different institutions have purchased same goods, services or works. In addition to enabling comparison of prices, analysis of same types of products, services or works allows identification of different patterns of behaviour on the part of state institutions when implementing same type of procurements.

The Index is envisaged to serve state institutions as an indicator against which they will improve rationality in public procurements, i.e. public spending. Given that the index-included prices are the average value of those paid by institutions and do not imply actual or market prices, state institutions should, whenever 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 on the market of public procurements.

Differences in price paid by institutions for same type of products and services indicate the need for 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 this Index includes all contracting authorities on national and local level, from line ministries and municipalities, public enterprises and agencies, to schools and kindergartens.

Development of the Index of Rationality relies on primary and secondary data sources.

Primary data collection is pursued by means of:

- attendance at public opening of bids submitted by economic operators in 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 enabled direct sources of data on prices under which given products, services or works have been procured.

Secondary data sources include:

- the Electronic Public Procurement System; and
- Freedom of Information (FOI) applications.

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

Methodology applied to develop Index of Rationality issues 1 to 11 relied on calculating differences in price paid by individual institutions compared against the average price. Starting with the Index of Rationality no. 12, differences in price attained by individual institutions are expressed as percentage of deviation against the average price calculated. It has been assessed that the new method of computing provides clearer and more precise representation of differences in price for goods and services included in the respective index.

2

Index of rationality

Index of Rationality no. 16 is developed for new group of goods and services, as follows:

- electricity;
- carwash services;
- written translation;
- commission rates charged by agencies for temporary employment; and
- installation of behaton paving elements.

Development of this Index of Rationality includes national and local institutions that have organized public procurements for these types of goods and services in the course of 2015 and 2016.

Initially, the Index of Rationality included 48 institutions on national and local level that have organized a total of 55 tender procedures for procurement of above-enlisted goods and services.

2.1 Index of Rationality for Electricity

Prices under which state enterprises and institutions purchased electricity range from 2.74 to 5.89 MKD per 1 kilowatt hour (kWh). The ratio between the lowest and the highest price is 1:2.15, which means that PE Macedonian Railways – Infrastructure attained a price that is by 115% higher than the price paid by Public Utility Enterprise “Derven” from Veles.

The index of rationality for electricity is developed for the second time in the last 3 years, for the purpose of establishing effects from liberalization of the electricity market. The first index was developed in 2014 and overlapped with the start of second stage of electricity market liberalization (April 2014 – April 2016), when eligibility consumers on the free market included state enterprises (with more than 50 employees and annual turnover of 10 million EUR). Third stage of electricity market liberalization started on 1st July 2016 and implied the right to electricity procurement on the free market for total of 158 companies and state institutions whose electricity consumption in the previous year accounted for more than 1,000 megawatt hours. The market liberalization process should be completed in 2020, with liberalization of the electricity market for households (i.e. captive consumers). In the wake of this third stage, development of this index of rationality included 12 contracting authorities that have announced relevant calls for bids for this type of procurement in the period January 2016 – June 2016. Nevertheless, the index is developed on basis of prices attained for electricity procured by 11 contracting authorities, because PUE “Water Supply” – Bitola did not disclose the price paid or contract signed, but only electricity invoice for month of October 2016. The index of rationality for electricity purchased by contracting authorities in 2016 shows drop in prices compared to 2014 figures. The average price calculated for electricity procurement amounts to 3.23 MKD per 1 kWh, which is by 28.70% lower than the average price paid by state enterprises in 2014, when it accounted for 4.53 MKD per 1 kWh. More details on previous indices of rationality are available on the website: opendata.mk.

| Contracting authority | Price in MKD (VAT included) | Difference against the average price |
|---------------------------------------------------|-----------------------------|--------------------------------------|
| PUE “Derven” – Veles | 2.74 | -17.88% |
| Macedonian Radio Television | 2.78 ¹ | -16.19% |
| Sports Centre “Boris Trajkovski” | 2.80 | -15.36% |
| PE “Communal Hygiene” – Skopje | 2.83 | -14.13% |
| Penitentiary and Correctional Facility “Idrizovo” | 2.94 | -9.86% |
| Public Transport Enterprise (PTE) – Skopje | 2.97 | -8.75% |
| PE “Water Supply and Sewage” – Skopje | 3.04 ² | -6.25% |
| PE “Macedonian Forests” | 3.11 | -3.86% |
| PE “Water Supply” – Kumanovo | 3.18 | -1.57% |
| Average* | 3.23 | 0.00% |
| Parliament of Republic of Macedonia | 3.28 | +1.52% |
| PE Macedonian Railways – Infrastructure | 5.89 | +45.16% |

*Average is calculated from prices paid by individual institutions included in this Index of Rationality.

Development of the index of rationality for electricity targeted 12 contracting authorities that have announced calls for this type of procurement in the period January 2016 – June 2016. Nevertheless, the index was developed on the basis of prices paid by 11 contracting authorities, because PUE “Water Supply” – Bitola did not disclose the price paid or the contract signed, but rather electricity invoice for month of October 2016.

All institutions organized tender procedures for procurement of electricity intended for their consumption over a period of 12 months, with the exception of the Penitentiary and Correctional Facility “Idrizovo” which procured electricity for a period of 6 months, and the Parliament of Republic of Macedonia which procured electricity for a period of 24 months.

As shown in the table above, nine institutions have paid electricity at prices lower than the average price, by 1.57% to 17.88%, while two institutions paid above-average prices by 1.52% and 45.16%, respectively.

¹ Price is weighted average of three tariffs anticipated under the contract.

² ⚡ Price is weighted average of two tariffs anticipated under the contract.

**Index of rationality
for electricity**
(price per 1 kWh
of electricity)

Such great differences in price cannot be justified with the type of procurement procedure organized. Notably, all institutions have organized so-called open procedures on contract awarding and planned organization of e-auctions, including the fact that all of them defined lowest price as selection criterion for the best bidder. In that regard, differences were observed in terms of number of companies participating in these procurement procedures. More specifically, both procedures that attained the highest prices were presented with two bids each, but having in mind that they are electronic procedures, notifications submitted to EPPS on organized electronic auctions do not allow insight whether both bidding companies participated in downward bidding or one bid has been assessed as unacceptable in the bid-evaluation process. Prices attained for procurement of electricity cannot be correlated to the quantities purchased.

| Contracting authority | Electricity (in kWh) | Difference against the average price |
|------------------------------------------------------|-------------------------|--------------------------------------------|
| PUE “Derven” – Veles | 1,150,000 | -17.88% |
| Macedonian Radio Television | 3,045,000 | -16.19% |
| Sports Centre “Boris Trajkovski” | 3,000,000 | -15.36% |
| PE “Communal Hygiene” – Skopje | 590,500 | -14.13% |
| Penitentiary and Correctional Facility “Idrizovo” | 1,613,500 | -9.86% |
| Public Transport Enterprise (PTE) – Skopje | 1,500,000 | -8.75% |
| PE “Water Supply and Sewage” – Skopje | 18,158,734 | -6.25% |
| PE “Macedonian Forests” | 980,000 | -3.86% |
| PE “Water Supply” – Kumanovo | 3,248,000 | -1.57% |
| Parliament of Republic of Macedonia | 4,014,000 | +1.52% |
| PE Macedonian Railways – Infrastructure | 7,690,126 | +45.16% |

**Planned
quantity of
electricity**

The fact that quantities of electricity purchased did not affect prices attained is best represented by data whereby PE “Communal Hygiene” – Skopje, which purchased the lowest quantity, falls within the group of institutions that have attained below-average prices, while PE Macedonian Railways – Infrastructure which attained the highest price, is ranked second in terms of quantities purchased (7,690,126 kWh), after PE “Water Supply and Sewage” – Skopje with electricity planned in quantity of 18,158,734 kWh.

2.2 Index of Rationality for Carwash Services

Carwash services (complete package covering both interior and exterior) were paid by institutions at prices from 120 to 295 MKD. The ratio between the lowest and the highest price for carwash services is 1:2.46, which means that the highest price paid for this service by the Health Insurance Fund of Macedonia is by 146% higher than the price paid for the same service by PE Macedonian Railways – Infrastructure. The average price calculated for complete carwash package (interior and exterior) standing at 210 MKD is slightly higher than market prices. The index of rationality for this service was first developed in 2012, but the unit measure allowing comparison under that index was defined as total cost per vehicle. Therefore, comparison of findings under indices for carwash services in 2012 and 2016 is not possible. Be that as it may, the current index shows certain positive changes that have occurred in the meantime and concern increased transparency among small procurements whose value ranges from 500 to 5,000 EUR, as relevant calls for bids and tender documents are now subject of mandatory publication. This situation facilitated the possibility for this service to be based on unit price per 1 carwash, which most certainly provides much clearer image about these costs.

| Contracting authority | Price in MKD (VAT included) | Difference against the average price |
|------------------------------------------------------------------|-----------------------------|--------------------------------------|
| PE Macedonian Railways – Infrastructure | 120 | -75.00% |
| Agency for Audio and Audiovisual Media Services | 126 | -66.67% |
| Ministry of Information Society and Administration | 182 | -15.38% |
| Average* | 210 | 0,00% |
| University “Ss. Cyril and Methodius” – Rector’s Office in Skopje | 231 | +9.09% |
| PHI Health Centre – Ohrid | 236 | +11.02% |
| Fund for Pension and Disability Insurance of Macedonia | 236 | +11.02% |
| Ministry of Justice | 250 | +16.00% |
| Health Insurance Fund of Macedonia | 295 | +28.81% |

Index of rationality for carwash services
(price per complete carwash service – interior and exterior)

*Average is calculated from prices paid by individual institutions included in this Index of Rationality.

Development of the index of rationality for carwash services targeted contracting authorities whose procurement procedures for this service were identified by means of procurement notices published in the Electronic Public Procurement System in the period January – June 2016. Therefore, the index initially targeted nine contracting authorities. However, based on data disclosed by PHI Clinical Hospital – Bitola it was established that, in addition to carwash services for passenger vehicles, this institution has also procured carwash services for their ambulance vehicles, but did not request bidding companies to provide different prices for different types of vehicles. On that account and for the purpose of ensuring comparability of data, this institution was excluded from the index. At the same time, it should be noted that same type of procurement was organized by PHI Health Centre – Ohrid, but this contracting authority requested bidding companies to provide individual prices of carwash services for passenger and ambulance vehicles. In the case of the Ministry of Justice, the tender procedure implied itemization of services intended for passenger vehicles, jeeps and vans, and was presented with different prices for each of these vehicle categories.

As shown in the table above, the average price calculated for carwash services intended for passenger vehicles amounts to 210 MKD. Three institutions have paid prices that are lower than the average, by 15.30% to 75.00%, while five institutions paid prices higher than the average, by 9.09% to 28.81%. Analysis of tender procedures covered by this index show that main reason behind great differences in price is low competition.

The three tender procedures which attained below-average prices were completed with organization of e-auctions that resulted in reduction of initially bided prices. On the other hand, in cases of tender procedures organized by contracting authorities that attained prices higher than the average, it was established that they were all marked by submission of one bid or e-auction did not result in reduction of initially bided prices. One acceptable bid was observed in tender procedures organized by the University “Ss. Cyril and Methodius” – Rector’s Office in Skopje, PHI Health Centre – Ohrid, Fund for Pension and Disability Insurance of Macedonia and the Ministry of Justice, whereas the tender procedure organized by the Health Insurance Fund of Macedonia was presented by two bids, but reduced prices were not attained during the e-auction. As regards the type of procurement procedures organized, it should be stressed that the tender procedure organized by Rector’s Office at the University “Ss. Cyril and Methodius” in Skopje concerned both carwash and vehicle maintenance services, which is an uncommon merger of these two types of services.

In terms of the number of vehicles for which carwash services were procured, it was concluded that the highest price for this service was paid by the contracting authority that procured said services for the highest number of vehicles.

| Contracting authority | Number of vehicles | Difference against the average price |
|------------------------------------------------------------------|--------------------|--------------------------------------|
| PE Macedonian Railways – Infrastructure | 40 | -75.00% |
| Agency for Audio and Audiovisual Media Services | 5 | -66.67% |
| Ministry of Information Society and Administration | 7 | -15.38% |
| University “Ss. Cyril and Methodius” – Rector’s Office in Skopje | 5 | +9.09% |
| PHI Health Centre – Ohrid | 6 | +11.02% |
| Fund for Pension and Disability Insurance of Macedonia | 15 | +11.02% |
| Ministry of Justice | 10 | +16.00% |
| Health Insurance Funds of Macedonia | 35 | +28.81% |

Number of vehicles covered by procurement contracts

As shown in the table above, the Health Insurance Fund of Macedonia will pay the highest price for carwash of as many as 35 vehicles, which is by 14% less than PE Macedonian Railways – Infrastructure with 40 vehicles. However, the difference in prices paid by these two institutions is enormous and accounts for 146%. This, most certainly, shows that quantities do not affect prices attained, which is contrary to any expected economic logic.

2.3 Index of Rationality for Written Translation

Services defined as written translation from Macedonian into English language per page (defined as 1,800 characters) were paid in the range from 172 to 1,051 MKD. Hence, the ratio between the lowest and the highest price is 1:6.11, which means that the highest price for this service paid by the Parliament of Republic of Macedonia is by 511% higher than the lowest price paid by the Ombudsman Office.

Lowest price was attained in the tender procedure presented with 9 bids, while the highest price was attained in the tender procedure presented with only one bid. Compared to index findings for this type of services developed in 2011, it can be concluded that the average price for written translation from Macedonian into English language has increased in 2016. More specifically, the average price calculated under 2011 index was 456 MKD and is by 15% lower than the current average. The index of rationality for written translation developed in 2011 implied that the highest price was by 167% higher than the lowest price, contrary to the current situation where this difference is by 511%.

| Contracting authority | Price in MKD (VAT included) | Difference against the average price |
|-----------------------------------------------------------|-----------------------------|--------------------------------------|
| Ombudsman Office | 172 | -205.81% |
| Municipality of Kavadarci | 217 | -142.40% |
| Municipality of Kocani | 222 | -136.94% |
| Average* | 526 | 0,00% |
| Health Insurance Fund of Macedonia | 536 | +1.87% |
| Directorate for Technology and Industry Development Zones | 716 | +26.54% |
| Ministry of Culture | 767 | +31.42% |
| Parliament of Republic of Macedonia | 1.051 | +49.95% |

Index of rationality for written translation from Macedonian into English language
(price per 1 page of 1,800 characters)

*Average is calculated from prices paid by individual institutions included in this Index of Rationality.

Development of this index targeted all contracting authorities that have organized tender procedure for translation services. In that, translation from Macedonian into English language was taken as most frequently requested language combination. Data necessary for development of this index was requested from 8 contracting authorities, but the index included prices per translation of one page attained by 7 contracting authorities, because the Fund for Pension and Disability

Insurance of Macedonia informed that they have organized procurement procedure for translation into other languages, because in the case of indicated language combination they have an employed translator tasked with translation from Macedonian into English language, and therefore English translations were not subject of their procurement.

As shown in the table for this index, three contracting authorities paid translation prices lower than the average price, by 136.94% to 205.81%, while four contracting authorities paid above-average prices, by 1.87% to 49.95%. Lowest price was attained in the tender procedure where bidding companies, except for law-mandated demonstration of personal status, were not required to fulfil special criteria for establishment of their eligibility for tender participation, while the tender procedure that attained the highest price imposed exceptionally high eligibility criteria for bidding companies.

Under such circumstance, tender procedure organized by the Ombudsman Office was marked by participation of 9 bidding companies, all competing against each other as part of downward bidding during the e-auction. Written translation services for the needs of the Parliament of Republic of Macedonia were procured by means of tender procedure that included all types of translation (simultaneous and consecutive interpretation and written translation). Bidding companies were required to demonstrate relevant experience of at least 3 years, total turnover in the three years in the amount of at least 3 million MKD and to dispose with at least 48 qualified staff, of which at least three persons for 16 languages. This tender procedure was presented with only one bid, thus failing to ensure conditions for organization of planned e-auction.

| Contracting authority | Contract value in MKD (VAT included) | Difference against the average price |
|-----------------------------------------------------------|--------------------------------------|--------------------------------------|
| Ombudsman Office | 350,000 | -205.81% |
| Municipality of Kavadarci | 100,000 | -142.40% |
| Municipality of Kocani | 200,000 | -136.94% |
| Health Insurance Fund of Macedonia | 1,062,000 | +1.87% |
| Directorate for Technology and Industry Development Zones | 354,000 | +26.54% |
| Ministry of Culture | 2,360,000 | +31.42% |
| Parliament of Republic of Macedonia | 2,360,000 | +49.95% |

Contract value

What is absolutely beyond any economic logic is the fact that tender procedures with the highest contract value have actually attained the highest prices.

2.4 Index of Rationality for Commission Rates Charged by Agencies for Temporary Employment

Commission rates charged by the Agencies for Temporary Employment were in the range from 0.77% to 12.98% of gross salary for engaged workers. Hence, it can be concluded that differences in price are enormous, especially when comparing the lowest and the highest commission rate charged. It turns out that PUE Sopiste has paid commission rate for temporary employment that is by 12.21 percent points lower than the commission rate paid by PE “Komunalec” – Kavadarci. Analysed in terms of 2016 average gross salary in the country (32,268 MKD), it means that under the lowest commission rate, the contracted agency is paid 248 MKD per employee, while under the highest commission rate, the amount paid is 4,188 MKD.

When findings under this index are compared to the index developed for the same service in 2012, it can be concluded that the commission amount paid by institutions in 2016 has increased, but differences in commission rates remain great both under the previous and under this index. According to 2012 index of rationality for this service, the average commission rate charged by agencies for temporary employment accounted for 3.66%, which means that it was lower by 4.36 percent points compared to the average commission rate paid by institutions included in this index.

Increase of commission rates could be a result of certain changes on the market, but the fact that differences observed in 2012 and in 2016 are very high is indicative of the fact that not all institutions are aware of market conditions and that those paying some of the highest commission rates might have accepted contracts under prices higher than actual market prices. Law on Public Procurements provides an opportunity for contracting authorities to annul their tender procedures in cases they have assessed that prices attained (in this case, commission rates) are less favourable than market prices.

Analysis of data about the manner in which procurement procedures for engagement of agencies for temporary employment were organized by institutions included in this index does not offer reasonable and economically justified arguments in support of observed differences in commission rates charged.

| Contracting authority | Commission rate (VAT excluded) | Difference against the average (in percentile points) |
|--------------------------------------------|--------------------------------|-------------------------------------------------------|
| PUE Sopiste | 0.77% | -6.95 |
| Public Transport Enterprise (PTE) – Skopje | 4.09% | -3.63 |
| PUE “Komunalec” – Gostivar | 5.00% | -2.72 |
| PE “Komunalec” – Bitola | 7.00% | -0.72 |
| PE on Spatial and Urban Planning – Prilep | 7.00% | -0.72 |
| Average* | 7.72% | 0.00% |
| PE “Communal Hygiene” – Skopje | 8.00% | +0.28 |
| PE “Kumanovo – Parking” – Kumanovo | 8.60% | +0.88 |
| PUE “Water Supply” – Kocani | 8.90% | +1.18 |
| PE “Water Supply and Sewage” – Skopje | 9.00% | +1.28 |
| PUE “Water Supply” – set. Ilinden | 9.00% | +1.28 |
| PUE “Pelagonija” – Krivogastani | 10.00% | +2.28 |
| PUE “Komunalec” – Pehcevo | 10.00% | +2.28 |
| PE “Komunalec” – Kavadarci | 12.98% | +5.26 |

*Average is calculated from prices paid by individual institutions included in this Index of Rationality.

Index of rationality for commission rates charged by agencies for temporary employment
(commission rate as share of gross salary per employee)

Development of this index targeted 14 public enterprises that have announced their procurement notices in the first half of 2016. However, having in mind that PUE “Skopska Crna Gora” – village Mirkovci did not disclose information requested, the index relied on relevant commission rates paid by 13 contracting authorities.

As shown in the table above, five public enterprises have paid commission rates that are lower than the average, by 0.72 to 6.95 percentile points, while eight public enterprises will pay commission rates higher than the average by 0.28 to 5.26 percentile points.

Established differences in commission rates cannot be justified with the type of procurement procedure organized. More specifically, five public enterprises (“Communal Hygiene” – Skopje, PTE – Skopje, PE for Spatial and Urban Planning – Prilep, “Komunalec” – Kavadarci and “Kumanovo – Parking”) have organized open procedures on awarding public procurement

contract. The remaining eight public enterprises organized bid-collection procedures whose value does not exceed 20,000 EUR. This means that all institutions organized transparent procedures and announced relevant calls for bids. In that, all procedures anticipated organization of e-auction and defined lowest price as selection criterion for the most favourable bid.

The fact that type of procurement procedure organized did not affect commission rate attained is best represented in the case of Public Enterprise “Komunalec” – Kavadarci, which was presented with four bids and attained the commission rate after the organized e-auction. Attained commission rates were not affected by the number of employees to be engaged through the contracted agency.

| Contracting authority | Number of employees | Difference against the average (in percentile points) |
|--------------------------------------------|---------------------|-------------------------------------------------------|
| PUE Sopiste | 3 | -6.95 |
| Public Transport Enterprise (PTE) – Skopje | / | -3.63 |
| PUE “Komunalec” – Gostivar | 34 | -2.72 |
| PE “Komunalec” – Bitola | 19 | -0.72 |
| PE for Spatial and Urban Planning – Prilep | 27 | -0.72 |
| PE “Communal Hygiene” – Skopje | 117 | +0.28 |
| PE “Kumanovo – Parking” – Kumanovo | 23 | +0.88 |
| PUE “Water Supply” – Kocani | / | +1.18 |
| PE “Water Supply and Sewage” – Skopje | 106 | +1.28 |
| PUE “Water Supply” – sett. Ilinden | 6 | +1.28 |
| PUE “Pelagonija” – Krivogastani | 7 | +2.28 |
| PUE “Komunalec” – Pehcevo | 3 | +2.28 |
| PE “Komunalec” – Kavadarci | 11 | +5.26 |

Number of temporary employments covered by the contract

As shown in the table providing an overview of the number of employees covered by contracts signed with agencies for temporary employment, the public enterprise that will engage the lowest number of workers (PUE Sopiste) has attained the lowest commission rate, while enterprises with the highest number of temporary employments will pay above-average commission rates, those being: PE “Communal Hygiene” – Skopje (117 temporary employments) and PE “Water Supply and Sewage” – Skopje (106 temporary employments).

2.5 Index of Rationality for Behaton Paving Elements

For the purpose of developing the index of rationality for behaton paving elements, in October 2016 FOI applications were addressed to contracting authorities which, according to data in the Electronic Public Procurement System, organized this type of procurements in the period January 2015 – June 2016. By indicating reference numbers of specific tender procedures, contracting authorities were requested to disclose information on prices paid for procurement of 1 square meter behaton paving elements, prices paid for installation of 1 square meter paving elements and quantities of purchased paving elements.

Two contracting authorities (Municipality of Aracinovo and primary school “Aleksandar Urdarevski” in village Sandevo) did not disclose requested information. Based on data disclosed, it was concluded that Municipality of Tearce and Municipality of Jegunovce have not included information on costs for installation of 1 square meter paving elements. Municipality of Tearce explained that said costs are covered by grass-root community units, while Municipality of Jegunovce did not disclose the requested information and failed to provide explanation how paving elements will be installed.

Under such conditions, it was impossible to develop the index of rationality because, according to the methodology, at least 5 contracting authorities need to be included in comparisons and calculations made under the index. This imposed the need for presentation of individual prices attained for this type of procurement, without the possibility to compare them and calculate the average price and individual deviations against it.

*For procurement, transport and installation of behaton paving elements with thickness of 8 cm, the **Municipality of Pehcevo** will pay 686 MKD, VAT included. In that, it procured total of 3,000 square meters of paving elements.*

*For procurement, transport and installation of behaton paving elements with thickness of 8 cm, the **Municipality of Kumanovo** will pay 707 MKD, VAT included. In that, it procured total of 7,500 square meters of paving elements.*

*For procurement, transport and installation of behaton paving elements with thickness of 8 cm, the **Municipality of Brvenica** will pay 727 MKD, VAT included. In that, it procured total of 6,653 square meters of paving elements.*

*For procurement, transport and installation of behaton paving elements with thickness of 8 cm, the **Municipality of Gostivar** will pay 920 MKD, VAT included. In that, it procured total of 1,400 square meters of paving elements.*

***Municipality of Tearce** will pay 306 MKD, VAT included, only for procurement of behaton paving elements with thickness of 8 cm. In that, it procured total of 1,400 square meters of paving elements.*

***Municipality of Jegunovce** will pay 378 MKD, VAT included, only for procurement of behaton paving elements with thickness of 8 cm. It did not indicated price for installation thereof and procured total of 1,400 square meters of paving elements.*

Although there were no conditions for development of the index of rationality for installation of behaton paving elements, on the basis of available data, it was concluded that this type of procurement is also marked by major differences in price attained by individual contracting authorities. By comparing findings under this index of rationality with those enlisted under the index developed in 2012, it was established that there are no significant changes in prices attained for this procurement compared to the situation observed 4 years ago.

3

General conclusion

This issue of the Index of Rationality targeted the following group of goods and service: electricity, carwash services, written translation and commission rate charged by agencies for temporary employment. Due to incomparability of data, the index for procurement of behaton paving elements was not developed.

The biggest differences in prices were recorded in terms of services related to written translation, and the smallest differences in prices were observed in terms of procurement of electricity.

In summary, this index of rationality provides the following conclusions:

- **electricity** was procured at prices ranging from 2.74 to 5.89 MKD per 1 kWh, whereby the highest price is by as much as 115% higher than the lowest prices;
- **carwash services** (complete package covering both interior and exterior) were paid by institutions at prices from 120 to 295 MKD, where the highest price attained is by 146% higher than the lowest price;
- **written translation** (1 page defined as 1,800 characters, from Macedonian into English language) was paid by institutions under prices from 172 to 1,051 MKD, whereby the highest price is by 511% higher than the lowest price; and
- **commission rates charged by agencies for temporary employment** were set as shares ranging from 0.77% to 12.98% of gross salary for engaged workers, where the highest commission rate is by 12.21 percent points higher than the lowest.

Major differences in price for procurement of same types of goods or services were again confirmed with the fact that implementation of public procurement procedures in compliance with the Law on Public Procurements does not guarantee attainment of best conditions on the market for relevant goods or services.

Under certain indices, the average price calculated is higher than market prices, which is indicative of the fact that certain institutions are paying unrealistically high prices for these goods/services. This situation does not only confirm absence of rationality in public spending, but also brings under question the purposefulness of public procurements organized, which should have led to more favourable prices compared to market prices, in particular because contracts cover procurements of higher value and represent guaranteed business for selected supplies for a period of one year.

Hence, the first key recommendation emerging from this index of rationality concerns the fact that contracting authorities should work towards increasing competition in their tender procedures. In that regard, they should develop tender documents that stimulate, instead of limiting competition among economic operators, as established in cases of some tender procedures analysed.

Furthermore, the fact that this index established differences in price for procurement of same type of services by more than 500%, with contracting authorities accepting to sign contracts under such prices, undoubtedly shows that institutions are not aware about state-of-affairs on relevant markets. Indeed, according to Article 69, paragraph 1, item 6 of the Law on Public Procurements contracting authorities are entitled to annul the tender procedure when they have assessed that bidding companies have offered prices and conditions for contract performance that are less favourable than market prices and conditions. Having in mind that index-included contracting authorities failed to establish that bided prices are unacceptable, the second key recommendation emerging from this index of rationality concerns the fact that they must apply a more serious approach to public spending and engage in due preparations (exchange of information with other contracting authorities) prior to announcing their tender procedures, thus ensuring solid basis for assessment whether prices bided are realistic and acceptable. Indeed, the index of rationality is developed for that purpose, i.e. to assist state institutions towards improving cost-effectiveness in public spending by means of public procurements.

