

SUMMARY

Performance Auditing Report

“Ensuring Competition in the Process of Centralized Public Procurement (CPP)”

THE REGULATORY JURISDICTION OF THE ADMINISTRATION IN THE PERFORMANCE OF CENTRALIZED PUBLIC PROCUREMENTS DOES NOT ENSURE THE COMPETITION AND ACHIEVEMENT OF THE OBJECTIVES OF CENTRALIZATION TO A SUFFICIENT EXTENT

Centralized public procurements (CPP) are implemented at the level of republic and local levels of government and were introduced with the aim of reducing the costs of implementing the procedure and increasing the cost-effectiveness of procurement. Contracting authorities are obliged to allow as much competition as possible in the public procurement procedure. However, in 2016 – 2018, competition in CPP procedures decreased, suggesting the risk that the state does not procure goods / services on the most favorable terms.

The Administration is a CPP body for the needs of state authorities and organizations, including the judiciary.

The law does not prescribe a mechanism that would allow the Administration to implement the CPP for all contracting entities from the established List of Contracting Authorities. The regulations do not define the obligation of the Administration in CPP procedures to perform market research in terms of designing the subject of procurement, standardization and determining the estimated value of goods / services, as well as the obligation to evaluate the procedure and analyze the savings.

By reviewing the data on the implemented CPP procedures, for the period 2016–2018 we found that the Administration did not ensure minimal competition (bidding between two bidders) in about 50% of the procedures.

The risk that competition in the procedure will not be ensured and the cost-effectiveness of procurement achieved may be the result of non-completion of market research and the imposition of additional financial conditions higher than the maximum prescribed.

Since the Administration does not evaluate CPP procedures and does not have data on the realized savings, several years since the introduction of the centralized procurement system it is still unable to consider the effects of centralization of procurement and, on that basis, propose measures aimed at improving the CPP system.

The manner of performing the CPP

	Организација послова ЦЈН	Вршење истраживања тржишта	Постављање додатних услова	Контрола уговора и оквирних споразума	Мерење остварених ефеката (уштеда)
Управа	✗	✗	✗	✓✗	?
Град Крагујевац	✓	✓✗	✓	✓✗	✓✗
Град Београд	✓	✓	✓	✓	✓

✗ - незадовољавајуће ✓✗ - делимично ✓ - задовољавајуће ? - не постоји податак

1. row: CPP Organization, Market Survey, Additional Req, Control of Contr, Measuring effects - savings

1. column: Administration, City of Kragujevac, City of Belgrade

Legend: unsatisfactory, partly satisfactory, satisfactory, no data

The cities of Belgrade and Kragujevac, for which the implementation of the CPP is an opportunity rather than an obligation, more effectively implement the CPP procedures and consider the effects of centralization through projected / realized savings and evaluations of the procedures. For example, for the year 2017, the City of Belgrade presented around RSD 450 million in savings and the City of Kragujevac around RSD 138 million. In the period 2016–2018, on average the competition was ensured, with two or more than two offers in the City of Belgrade in over 70% of proceedings, and in the City of Kragujevac in over 55% of proceedings.

Recommendations

The State Audit Institution has issued 9 recommendations to the Administration, including:

- 1) propose measures to improve the CPP system in relation to market research that would allow the collection of information on goods / services subject to procurement and matching demand with the market supply, in order to achieve greater competition,
- 2) when defining additional conditions, to consider their justification and compliance with the regulation in order to ensure greater competition,
- 3) propose measures to improve the CPP system, in accordance with the applicable regulations, which will enable the centralization of procurements of goods / services, for the contracting entities identified in the List of Contracting Entities and for whose purposes the CPP is implemented, in order to achieve goals of centralization,
- 4) propose measures for improvement of the CPP system, which will enable continuous evaluation of implemented procedures and analysis of savings in the CPP procedures, with a view to reviewing the effects of centralization of procurement

The State Audit Institution has issued 4 recommendations to the City of Kragujevac, including:

- 1) to fully document the market research, in order to more effectively look at the conditions of the procurement market and thus enable more tenderers to participate in the CPP process.