	Ministry of Health and Family Welfare Government of India New Delhi-110 002
To, The Secretary, Health and Family Welfare Department, Government of India, New Delhi-110 002	From, The Secretary, Health and Family Welfare Department, Government of India, New Delhi-110 002
Subject: <u>HRP</u>	Date: <u>34/20</u>
Ref: <u>11/34</u>	Date: <u>28.02.2020</u>



Republika e Kosovës  
Republika Kosova-Republic of Kosovo  
Qeveria - Vlada – Government  
*Ministria e Financave dhe Transfereve – Ministarstvo za Finansije i Transfere– Ministry of  
Finance and Transfers*  
AGJENCIA QENDRORE E PROKURIMIT  
CENTRALNA AGENCIA NABAVKE / CENTRAL PROCUREMENT AGENCY

## Survey on Centralised Procurement Contracts signed by the Central Procurement Agency

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## Table of Content

1	Introduction .....	Error! Bookmark not defined.
2	Survey Research Purposes .....	Error! Bookmark not defined.
3	Methodology .....	Error! Bookmark not defined.
4	Conduct and implementation of Centralised Procurement by the Central Procurement Agency .....	4
4.1	Legal Framework:.....	Error! Bookmark not defined.
4.2	Implementation of centralised Procurement.....	4
4.3	Cost Benefit Analyses.....	Error! Bookmark not defined.
4.3.1	Public Contracts - .....	4
4.3.2	Public Contracts - .....	Error! Bookmark not defined.
4.3.3	Public Contracts - .....	Error! Bookmark not defined.
5	Conclusions:.....	Error! Bookmark not defined.
6	Recommendations:.....	Error! Bookmark not defined.

## • Introduction

The Central Procurement Agency (CPA), under the Kosovo Public Procurement Law (PPL), has the authority, powers and responsibilities to:

1. Collection of final procurement planning from all Contracting Authorities (CA) in Kosovo;
2. Leads and conducts centralized procurement for all CAs in Kosovo, if authorized by the Minister of Finance;
3. Each year, prepares and submits to the Ministry of Finance a draft list of goods or items, works or services of common use to be awarded by the CPA, using framework agreements. This list proposed by the Ministry of Finance is approved by the Government in the form of an Administrative Instruction by January 31 of each year;
4. Manages and conducts procurement on behalf of the CA, at the request of the CA and according to an appropriate reasoning from the concerned CA. The Minister of Finance, after reviewing the reason posted by the CA, may allow the CPA to carry out the procurement activity;
5. Assists CA in conducting procurement activities upon request of CA;
6. The CPA shall, for each calendar year, prepare and submit to the Minister of Finance, by the end of February of the following year, an annual report reflecting the procurement activities led by the CPA for that calendar year.

## • Survey Research Purpose

The purpose of this research is to evaluate centralized contracts, assessing whether they have achieved their purpose and whether their results are in line with the overall goals of public procurement. The main purpose is to see if these contracts have achieved lower prices for purchases / services for common use.

## • Methodology

The methodology used for this survey is comparative one, between the contract prices that existed prior to the entry into force of centralized contracts and also the comparison of market prices and centralized contract prices.

The data were obtained from the collection of real data declared by public institutions and economic operators winning centralized contracts, audit reports and market research.

## 1. Management and implementation of centralised procurement by CPA

### 1.1. Legal Framework

Considering the expected benefits in many aspects from the implementation of centralized procurement and especially with a particular emphasis on saving the state budget (financial savings), the Government of Kosovo has consistently supported, especially since 2015, implementation of these procurement activities.

The public procurement legislative framework in Kosovo regulates the issue of centralized procurement implementation specifically in *Articles 8, 9 and 95* of the PPL. In particular, special focus has been given to the drafting of an effective and comprehensive legislation which will facilitate the implementation of centralized procurement activities and in this context the implementation of framework public contracts. *Article 38* of the PPL, as well as secondary legislation, regulate the legislative side of the use of public framework contracts as an effective tool of implementing a procurement procedure, following the EU legislation on this matter as well as the best known practice.

### 1.2 Implementation of Centralised Procurements

Since 2015, the CPA has begun to intensify the implementation of centralized procurement at the national level.

## 2. Cost benefit survey

### 2.1 Public Framework Contract – Use of rental copy machines and printers

Pursuant to the Administrative Instruction, the Central Procurement Agency has developed the procurement activity for use of rental copy machine and printers.

After numerous consultations and analyses, the CPA started with this procedure, concluding that it won a contract where the price for a copy was € 0.0063 respectively € 0.0069 after two contracts with two different operators were signed through this procedure since they were two Parts (Lots).

In order to avoid the variety of prices and the possibility for economic operators to offer different prices for a color copy or a black and white copy and through these calculations not to reach the contract with the most favorable price generally requested by Economic Operators, competing in this procedure to offer only the price for black and white copies and then calculating the price for one color copy with the price of four black and white copies, this has led the Operators to offer the price calculating how real the price should be for a black and white copy with which they then calculated the stack and the total contract in general.

We will analyze all the costs that some public institutions that have already used this contract have in the past. The costs that public institutions have had in the past include all costs such as the purchase of photocopiers / printers, their servicing and above all the cost of toners, all of which will be compared to the costs already incurred by these institutions or simply stated pay for this contract within one year / month.

We emphasize that it is not possible to analyze the amount of photocopying / printing then and how much now but it cannot make any significant difference as it is about the difference between the two years and where there has not been any major change to move around. Emphasized in the number of copies of documents and most importantly for the state of Kosovo is to look at the monetary savings in this area which is the basic principle by which the Central Procurement Agency and centralized procedures were established.

Below we will analyze the costs of some public institutions for photocopying / printing.

## 1. Kosovo Police

One year payment made by Kosovo Police for the contract the use of photocopiers and printers for rent is as follows:

No.	Monthly invoice issued by Art House to Kosovo Police	Value
1	August 2018	C 19,036.12 €
2	September 2018	10,510.89 €
3	October 2018	13,608.35 €
4	November 2018	8,881.99 C
5	December 2018	11,549.41 €
6	January 2019	9,642.35 €
7	February 2019	9,393.02 €
8	March 2019	9,642.55 €
9	April 2019	10,204.80 €
10	May 2019	9,582.10 C
11	June 2019	8,466.12 C
12	July 2019	9,675.92 €
	<b>Total per year</b>	<b>130,193.60 C</b>

In total, for the 12 month period from August 2018 to July 2019, Kosovo Police for printing and photocopying services were spent € 130,193.60, while if we calculate the approximate costs for photocopiers and printers during the year prior to the entry into force of this contract, respectively in 2017, the costs associated with photocopying and printing services reaches the value, approximately € 375,666.81. Therefore, when comparing these two periods of one year, it turns out that after the CPA contract entered into force the costs for photocopying and printing are about € 245,473.21 lower, or about 65% savings of public funds.

The approximate costs for photocopiers and printers during one year by the Kosovo Police prior to the entry into force of this contract are as follows:

No.	Kosovo Police	Procurement No.	Date of Contract Signature	Estimated Contract Value	Total value of Contract	Duration	Used in 2017 (average)	Period of usage
1	Supply with printers and toners – re-evaluation	214-16-147-1-1	19.12.2016	€ 334,963.00	€ 301,254.81	Value per 1 year	€ 301,254.81	
	Supplier with photocopier toners – Indicative notice	14-18-293-1-1-1	Date of Notice 01.02.2018	€ 331,009.72				
2	Contract: Supply with toners and printers	214-17-3115-1-2-1	09.04.2017	€ 25,445.91	€ 10,350.00	Value per 1 year	€ 7,762.50	9 months
3	Contract: Supply with toners and printers	214-17-2611-1-2-1	08.08.2017	€ 92,923.54	€ 51,555.00	Value per 1 year	€ 21,481.25	5 months
	No. of Lot 1							
	Nr. of Lot 2				€ 15,952.00	Value per 1 year	€ 6,646.67	
	Nr. of Lot 3				€ 282.00	Value per 1 year	€ 117.50	
	Nr. of Lot 4				€ 18,980.00	Value per 1 year	€ 7,908.33	
4	Supply with toners and printers	214-17-1821-1-2-1	07.07.2017	€ 49,985.00	€ 75,000.00	Value per 1 year	€ 12,500.00	6 months
	No. of Lot 1							
	No. of Lot 2				€ 30,360.00	Value per 1 year	€ 5,060.00	
5	Contract title awarded by the contracting authority: Maintenance, Servicing, reparation of IT equipment	214-16-249-2-2-1	01.09.2017	€ 84,000.00	€ 47,778.00	Value per 1 year	€ 11,944.50	3 months
	Group 1. Maintenance, Servicing, reparation of photocopy equipment.							
	Group 2. Maintenance, servicing of printing equipment				€ 3,965.00	Value per 1 year	€ 991.25	
				<b>TOTAL</b>	<b>€ 555,476.81</b>		<b>€ 375,666.81</b>	



A total of 589 printing and photocopying equipment were put into operation by economic operator Art House for the Kosovo Police.

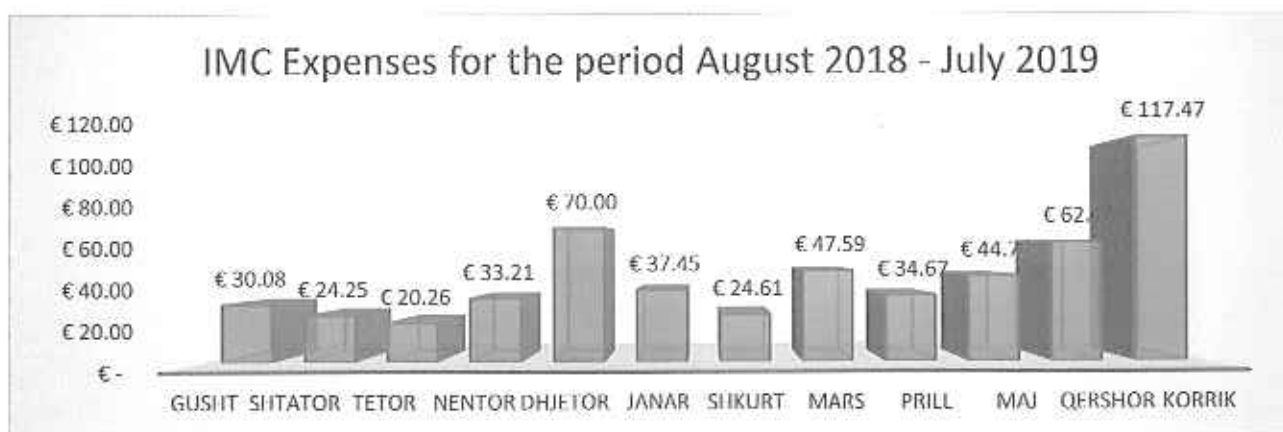
No.	Description	Number of equipment
1	A4 black and white printer	156
2	A4 Multifunctional black and white printer	148
3	A4 Multifunction colour printer	2
4	A4/A3 Black and white copy machine	63
5	A4/A3 Colour copy machine	220
Total:		589

### 1. Independent Media Commission

One year payment made by the Independent Media Commission for the rental of photocopiers and printers is as follows:

No.	Monthly invoice from Art House for the Independent Media Commission.	Value	
1	August 2018	€	30.08
2	September 2018	€	24.25
3	October 2018	€	20.26
4	November 2018	€	33.21
5	December 2018	€	70.00
6	January 2019	€	37.45
7	February 2019	€	24.61
8	March 2019	€	47.59
9	April 2019	€	34.67
10	May 2019	€	44.70
11	June 2019	€	62.47
12	July 2019	€	117.47
	<b>Total per year:</b>	€	<b>546.75</b>

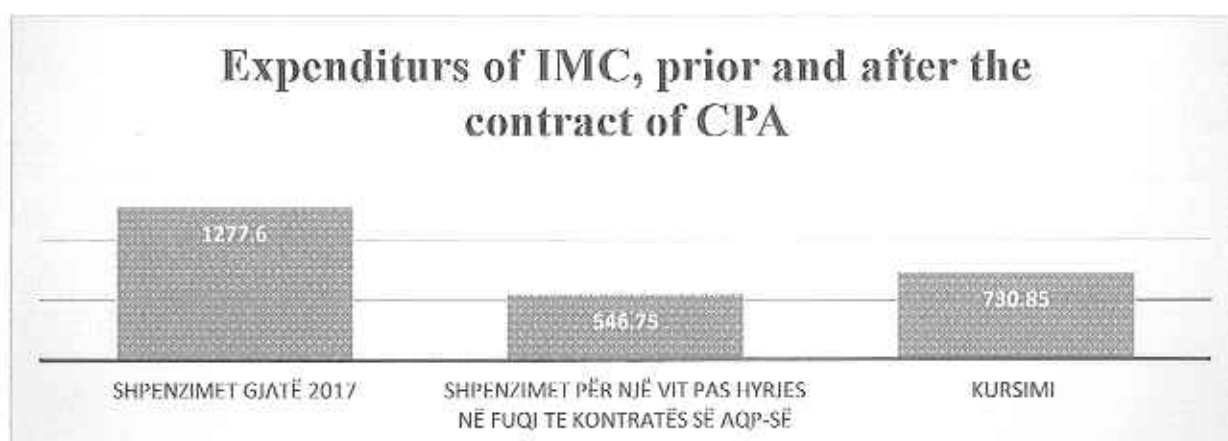
Expenditures by month in graphical form is as follows



Whereas, if we calculate the approximate costs for photocopiers and printers during the year prior to the date of entry into force of this contract, we have the cost as follows:

In 2017, the Independent Media Commission, with a contract for the servicing of printers and photocopiers for a 36-month period, has foreseen € 3,000 costs, which means € 1,000 annual expenses.

Regarding the purchase of toners, in 2017 were spent 277.60 €, which means that in total, not including purchase of toners and copy-machines, IMC spent **1,277.60€**, while through centralised contract were spent **546.75 €** for one (1) year period, thus saving an average of **730 €** or **57%** of public funds.



The Independent Media Commission is using a total of eight (8) printing and photocopying equipment

No.	Description	Number of equipment
1	A4 Colour printer	1
2	A4 Black and white printer	2
3	A4/A3 Black and white copy machine	5
Total:		8

## 1. KOSOVO CUSTOMS

One year payment executed by the Kosovo Customs for the contract “the use of rental copies and printers” is as follows:

No.	Monthly invoice from Art House for Kosovo Customs	Value
1	June 2018	€ 811.87
2	July 2018	€ 1,219.25
3	August 2018	C 1,694.91
4	September 2018	C 2,690.57
5	October 2018	€ 1,336.36
6	November 2018	€ 1,615.15
7	December 2018	€ 1,435.67
8	June 2019	€ 1,201.57
9	February 2019	C 1,101.70
10	March 2019	C 1,322.67
11	April 2019	C 1,329.44
12	May 2019	C 2,542.41
	<b>Total</b>	<b>C 16,270.45</b>

While calculating and comparing the approximate costs for photocopiers and printers on the basis of contracts prior to the date of entry into force of this contract, we have as follows:

Considering that the previous implemented contract was a contract of three (3) months duration, the comparison will be made with the average of three (3) months of expenditure with the new contract, as can be seen that there were average 53.76% of the budget or € 5318.91 in monetary value, every three (3) months.

Previous contract	One year expenditures – Existing contract	Average expense for three (3) months from existing contract	Average amount saved in euro for three (3) months	Percentage of savings with the new contract
€ 9,894.30	€ 18,301.57	€ 4,575.39	€ 5,318.91	53.76%

Below we have a distribution of costs across 3 months for one year after the new contract is signed.

Preliminary three (3) months contract	Costs with the current CPA contract			
	June-August 2018	September-November 2018	December 2018-February 2019	March-May 2019
€ 9,894.30	€ 3,726.03	€ 5,642.08	€ 3,738.94	€ 5,194.52

No.	Kosovo Customs	Procurement No.	Contract signature date	Estimated contract value	Total contract value	Duration
	"Renting of printers and photocopiers"	201 13300-17-3429-1-2-1	Cancellation	112,000.00		36 months
I	"Renting of printers and photocopiers"	201 13300-18-12-1-3-6	29.01.2018	9,990.00	9,894,30	3 months



The above figure illustrates the differences between the earlier contracts of Kosovo Customs compared to CPA contracts, presented on quarterly bases.

The differences are quite large even though that two compared contracts are for the same services “renting photocopiers”, so we can conclude that the most favorable price is achieved due to the use of centralized procedures.

### 1. Ministry of Internal Affairs

The table below shows one year payment executed by the Ministry of Internal Affairs for the contract "Use of rental copy machines and printers" as follows:

No.	Monthly invoice issued by EO "RIKON " to MIA	Value
1	December 2018	C 976.07
2	January 2019	€ 1,080.51
3	2019	€ 1,175.95
4	March 2019	C 988.56
5	April 2019	C 866.78
6	Maj 2019	C 1,050.94
7	June 2019	€ 1,138.75
8	July 2019	€ 1,198.72
9	August 2019	€ 1,193.30
10	September 2019	C 1,240.72
11	October 2019	C 1,382.66
12	November 2019	C 1,025.13
	Total per year	C 13,318.08

The following graphic presents monthly invoices covering the period of December 2018 – November 2019



Estimated costs for photocopy and printers services, for one year, of the Ministry of Internal Affairs prior to the entry into force of this contract are as follows:

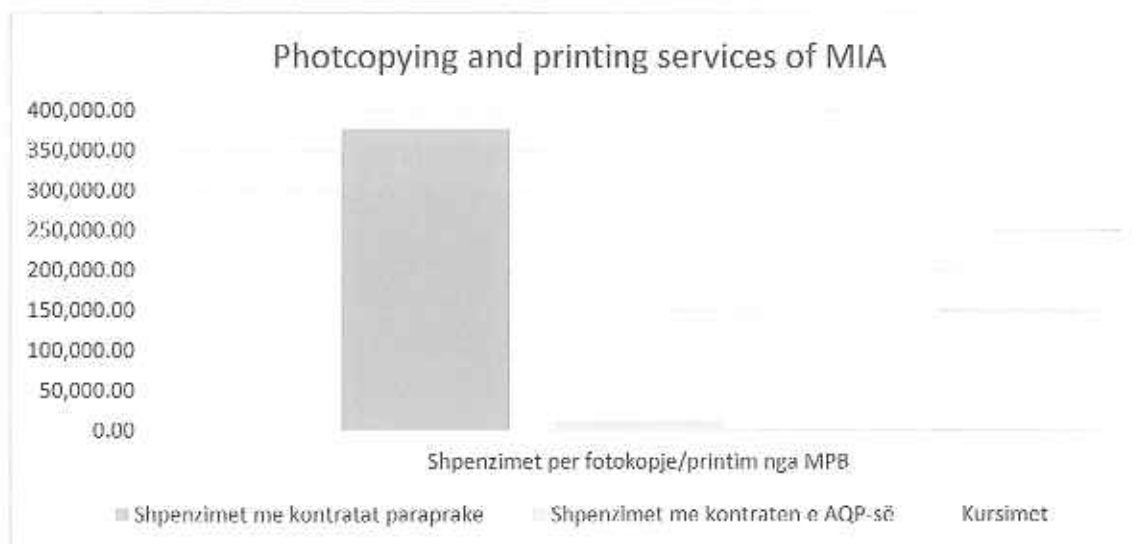
Title	Contract signature date		Duration	Value for 3 years	Average value for 2018
"Maintenance and servicing of copiers, printers and other IT equipment" Re-tender	25.10.2017		36 months	€ 10,452.46	€ 3,484.15 (10,452.46/3vite)
Supply with toners- 214-17-3757- 1-1-1/FA019	LOT-1	19.01.2018	36 months	€ 809,186.43	€ 269,728.81 (809,186.43/3vite)
	Lot -2	18.01.2018	36 months	€ 282,790.80	€ 94,263.60 (282,790.80/3vite)

Supply with toners - 214-17-3757-1-1-1/FA020	20.08.2018	36 months	€ 91,704.56	€ 10,189.00 (91,704.56*4/36 month)
		<b>Total</b>	<b>€ 1,194,134.25</b>	<b>€ 377,665.56</b>

Total cost for photocopying and scanning services during 2018 is **377,665.56€**, cost prior to the entry into force of the CPA's centralised contract. While one year cost, with the CPA contract, is **13,318.08€**, the difference is significant given that the 2018 expenses do not include the costs of purchasing the equipment.

Furthermore, the difference can be seen if we compare only toner supply costs that have been around **€ 374,180.00** per year and costs under the current CPA contract that are **€ 13,318.08** or converted in percentage actual costs are only **3.56%** compared to previous costs.

In monetary value the savings based on this data are around **€ 364,347.00** per year.



## 2. Post of Kosovo

The Post of Kosovo has signed a contract entitled "Pay per Print Service for Post Offices of Post of Kosovo JSC", a contract similar to the CPA's contract for renting photocopies.

In the table below is presented the approximate amount required by Kosovo Post for 36 months:

No.	Description: Pay per Print Services for Kosovo Post Offices	Unit measure for printed or copied page	Approximate quantity
1.	Print/Copy A4 - black and white	Page	20750000
2.	Print/Copy A4 – colour	Page	30000
3.	Print/Copy A3 - black and white	Page	6000
4.	Print/Copy A3 - Colour	Page	3000

Assuming that printing an A4 sheet of color cost four time as much as 4 sheet of A4 black and white, and printing an A3 black and white sheet cost four times as much as a black and white A4 sheet, and printing an A3 color sheet cost as 4 sheets of black and white A3, then we came to this conclusion and calculation, as presented below:

No.	Description: Pay Per Print Service for Kosovo Post Offices	Unit measure for printed or copied page	Approximate quantity	Quota*	Quantity x Quota
1	Print/Copy A4 - black and white	Page	20750000	1	20750000
2	Print/Copy A4 – colour	Page	30000	4	120000
3	Print/Copy A3 - black and white	Page	6000	4	24000
4	Print/Copy A3 - Colour	Page	3000	16	48000
			<b>TOTAL</b>		<b>20942000</b>
			<b>Contract value</b>		<b>126947.13€</b>
			<b>Price per unit</b>		<b>0.006061844€</b>

As can be seen, the Post of Kosovo has signed a very favorable contract, with slight differences in price compared to the CPA contract, but not in the quality of service, as in the contract signed by the CPA there are also two specifications that are not in the contract of the Post of Kosovo that justify this price difference:

- Management and control software for Printing, Photocopying and Scanning:** The software solution should control access to printers, photocopiers, scanners and multifunctional devices, and should manage cost allocation for reporting and budgeting purposes. Management software should enable a secure printing and documenting environment to help institutions control the use of equipment as well as the costs of printing, photocopying and scanning;
- Pajisjet e reja:** Duhet te theksohet qe tek Kontrata e nënshkruar nga AQP është kërkuar qe Operatori ekonomik ti sjell të gjitha Pajisjet e reja, për dallim nga kontrata e Postes qe nuk ka kërkuar pajisje te reja, kjo ndikon që çmimi i kontratës së AQP-së të jetë pak me i lartë por kjo difference është shumë e vogël dhe duke marr parasysh funksionimin dhe mundësin e kontrollit të shpenzimeve përmes kontrollit të fotokopjeve/printerëve.

**New Equipment:** It should be specified that with the contract signed by the CPA is required that the Economic Operator provide all the new equipment, unlike the Post Contract which did not require new equipment, this affects the CPA contract which may be slightly higher but this difference is very small considering the operation and cost control capability through photocopier / printer control.

## 2.2 Public framework contract - Use of rental cars

Following the recommendation of the Office of General Auditor, in the report "Maintenance and reparation of the official vehicles" of 2014, the CPA started the procedure for use of rental cars.

In this report, the auditor concludes that opportunities for centralized procurement are not being used and recommends that the Ministry of Finance should consider entitling the Central Procurement Agency the responsibility for conducting the centralized procurement with regard to the maintenance and repair of vehicles and to analyze the possibilities of using leasing as an alternative instead of buying vehicles.

In addition, it is necessary specifying that there have been major misuse regarding servicing of vehicles, some of them on purpose and some due to the negligence of public officials which situation was used by businesses. With the entry into force of these contracts where all those responsible for the vehicles (or other rented equipment) are the contractors' responsibilities, the likelihood of misuse decreases and above all, the safety of the official vehicles themselves is increased as public institutions vehicles are often not properly serviced and maintained

In many cases, it cost a lot for the replacement and repair of vehicle parts. The Office of the Auditor General has also emphasized that in some cases there were contracts for servicing vehicles where prices were well above market prices, while with rental contracts it is not possible to incur such costs as costs are known at the outset and are monthly fixed price.

Such irregularities for servicing and maintenance are presented on the auditor's reports, for example in the 2014<sup>th</sup> report there are 268 vehicles of the Ministry of Internal Affairs waiting for service since 2009, which means five (5) years have passed. Whereas with the entry into force of these contracts such gaps are eliminated as the contractor is obliged to perform the services properly and with no delays.

Also, there is a high risk for bought cars in case of an accident, where institutions are left without vehicles until the vehicle is repaired, or at worst cases, if damaged vehicles cannot be repaired, institutions have to buy new ones. This problem has also been eliminated with the entry into force of centralized contracts, as in such cases the contractor is required to repair or replace the vehicle no later than two business days.

The Auditor General referred to the above issues of deficiencies encountered in the area of servicing and maintenance of vehicles, in the report entitled "Maintenance and Repair of Official Vehicles" of 2014. The major deficiencies highlighted in this report are: of the auditor are:

The report of OAG below has listed and emphasized the irregularities regarding the 2014<sup>th</sup> contract for "Maintenance and repair of official vehicles", as follows:

**Irregularities in Contract Implementation** - in all audited Budget Organizations, except for Kosovo Police, the contract winner was found to be more expensive than the unsuccessful EO although the tender evaluation process ranked the winner as the best at the moment of evaluation according to the parameters specified in the D/I. The reason why such an event was not found at KP is because contracts were signed using the price quotation procedure instead of the open procedure.

2011-2013				
Automjeti	Fituesi	OE i pasuksesshëm	Dallimi	Mesatarja vjetore
Nissan	104,455	87,935	16,520	8,260
Toyota	31,404	45,631	-14,227	-7,113
Polo	20,214	20,383	-169	-85
Totali	156,073	153,949	2,124	1,062

Table. 1: Comparison of winning and unsuccessful EOs in KTA

1. **Price differences for identical items purchased from different Budget Organizations**  
- Such differences appear among items that were sampled for all 5 types of vehicles. The minimum difference is 3% while the maximum difference is 628%.

Nissan Terrano							
ARTIKULLI	ATK	DOGANA	KGJK	MAP	Çmimi më i ulët	Çmimi më i lartë	Dallimi %
Vaj motori	12	11	29.5	10	10	29.5	195%
Filtër i naftës	12.5	24	63.85	23	12.5	63.85	411%
Filtër i ajrit	15.1	30	63.85	29	15.1	63.85	323%
Filtër i klímës	14.1	36	N/A	45	14.1	45	219%
Filtër i vajit	11.1	24	58.8	21	11.1	58.8	430%
Gurtinë frenimi të pasme	167.78	97	90.6	208	90.6	208	130%
Kryqi i kardarut	68.77	35	15	45	15	68.77	358%
Bosh pompa	101.97	222.8	60	N/A	60	222.8	271%
Riparimi i angllashtit/starterit	130	50	145	N/A	50	130	200%
Korpa, drugllagera, llamella (set)	541	455	476.5	490	455	541	19%
Amortizatori i pare	73	55	173.3	N/A	55	173.3	215%
Turbina	576	550	N/A	N/A	550	576	5%

Tab. 2: Krahasimi i çmimeve të një numri të përzgjedhur të artikujve të blerë nga OB-të

2. Prices for parts supplied were higher than market prices:

	Shpenzimet aktuale	Çmimi i tregut	Kursimet e mundshme
Totali	156,184	120,352	35,852
ATK	42,670	39,002	3,668
Dogana	88,365	64,688	23,697
KGJK	23,485	15,955	7,530
MAP	1,664	707	957

Tab. 3: Potential savings based on market price

3. Extreme price variations between contracts signed for identical items by the same Budget Organization –here is as an example of some Kosovo Judicial Council contracted items in three different regions. Similar items were purchased in the Prizren region at a much higher price compared to the other two regions.

Nr i artikullit në DT	Përshkrimi	Sasia	Çmimi			Dallimi absolut		Dallimi relativ (%)	
		Prizreni	Peja	Gjilani	Prizreni	Peja	Gjilani	Peja	Gjilani
12	Sponat e shkurta	12	30.0	40.0	95.0	65.0	55.0	3.2	2.4
38	Doboshi i parë i rrotës	11	20.0	80.0	182.0	162.0	102.0	9.1	2.3
44	Semeringat e vegjël	65	10.0	20.0	88.0	78.0	68.0	8.8	4.4
49	Semeringat e mëdhenj	14	10.0	30.0	26.0	16.0	(4.0)	2.6	0.9
52	Nxensa	16	35.0	20.0	109.7	74.7	89.7	3.1	5.5
65	Vaji i ndërruesit (menjaqit)	45	5.0	7.0	28.0	23.0	21.0	5.6	4.0
66	Vaji i reduktorit	63.5	5.0	5.0	28.0	23.0	23.0	5.6	5.6
67	Glicerinë	54	5.0	3.0	18.0	13.0	15.0	3.6	6.0
68	Antifrizi	85	7.0	5.0	14.5	7.5	9.5	2.1	2.9
69	Uji për xhama	94	2.0	1.0	5.6	3.6	4.6	2.8	5.6
96	Rregullazha e rrotëve	22	10.0	15.0	45.0	35.0	30.0	4.5	3.0
100	Llambat e stop dritave	11	1.0	5.0	39.0	38.0	34.0	39.0	7.8

Table 4: Price differences between the items, selected and contracted by KJC in three regions

4. Inadequate preparation of technical specifications
5. Inadequate procurement procedure used - price quotation instead of open procedures.
6. Extremely high maintenance costs: the contracted prices were higher than the market price and disproportionate quantities of filters were purchased compared to the amount of oil. This was reported to the Ministry of Public Administration where enormous expenditures were made for the only Nissan Terrano that was in their possession.

Nissan Terrano					
ARTIKULLI	Sasia	Çmimi sipas kontratës	Çmimi i tregut	Shuma sipas kontratës	Shuma sipas tregut
Vaj motori	8	10	8	80	64
Filtër i naftës	8	25	22	200	176
Filtër i ajrit	8	29	13	232	104
Filtër i klimës	8	45	15	360	120
Filtër i vajit	8	21	12	168	96
Gurtne frenimi te pasme	3	208	49	624	147
Gjithsej				1,664	707
Kursimi i mundshëm					937

Tab.6 MPA costs for car servicing

7. **Value of repairs higher than current value** - The following table shows maintenance and repair costs of 20 vehicles for three years 2011- 2013. We have only presented cases where we have identified where the value of repairs was over € 10,000 for just three years, and in some cases the value of repairs exceeds the current value of vehicles.

Nr.	Tipi i automjetit	Data e pranimit	Vlera blerëse (€)	Vlera e riparimeve për tri vite (€)	Çmimi mesatar i tregut për automjet të ri sipas katalogut doganor (€)
1.	Toyota Land Cruiser 120	20.12.2004	26,111.30	17,301	51,500
2.	Toyota Land Cruiser 120	20.12.2004	26,111.30	19,596	51,500
3.	Toyota Land Cruiser 120	20.12.2004	26,111.30	17,502	51,500
4.	Toyota Land Cruiser 120	20.12.2004	26,111.30	17,444	51,500
5.	Toyota Land Cruiser 120	20.12.2004	26,111.30	17,424	51,500
6.	Toyota Land Cruiser 120	20.12.2004	26,111.30	17,066	51,500
7.	VW Komb 2.5 Tdi 4- Motion	20.12.2004	26,111.30	14,655	41,233.50
8.	Toyota Land Cruiser 120	23.01.2005	26,111.30	19,458	51,500
9.	Hyundai Santa Fe	21.04.2005	15,690.00	20,526	31,700
10.	Toyota Land Cruiser 120	12.09.2005	26,111.30	32,466	51,500
11.	Toyota Land Cruiser 120	08.12.2005	26,111.30	17,149	51,500
12.	Toyota Land Cruiser 120	08.12.2005	26,111.30	21,074	51,500
13.	Toyota Land Cruiser 120	08.12.2005	26,111.30	19,360	51,500
14.	Toyota Land Cruiser 120	08.12.2005	26,111.30	16,719	51,500
15.	Toyota Land Cruiser 120	08.12.2005	26,111.30	16,462	51,500
16.	Toyota Land Cruiser 120	08.12.2005	26,111.30	16,074	51,500
17.	Toyota Land Cruiser 120	20.12.2006	26,111.30	22,609	51,500
18.	Toyota Land Cruiser 120	20.12.2006	26,111.30	19,103	51,500
19.	VW Golf 1.9 TDI Trendline	25.06.2008	20,910.00	12,643	23,125
20.	VW Golf 1.9 TDI Trendline	25.06.2008	20,910.00	11,822	23,125

Tab. 5: Value of repairs higher than € 10,000.

Based on the data and recommendations of this audit report, the Ministry of Finance has given power to the CPA to conduct the centralized procurement for the rental of cars in addition to purchasing cars.

1. AQP 17 006/1-III – Category I
2. AQP 17 006/2-III – Category II
3. AQP 17 006/3-III – Category III

The Contractor's responsibilities for these contracts are:

- The Contractor shall carry out the technical inspection,
- Insurance,
- Registration,
- Regular servicing or as needed,
- Replacement of summer and winter tires,
- Maintenance, repair and any other expenses during the 5 year period,
- Casco insurance is the obligation of the contractor,
- In case of vehicle defects, the contractor is obliged to repair or replace the vehicle within the shortest period of time, not more than two working days,
- If the vehicle is damaged and cannot be repaired, then it is replaced by a contractor with another vehicle but not older than 5 years.

Based on the responsibilities of the contractor we have the following costs for Category 1 - rental car, from Dacia Sandero:

**Category 1**

	Quantity	Price per Unit for 1 month	Price per unit for 1 year	Price per unit for 66 months	Price per unit for 1 month	Total price for 1 year	Total price for 66 months
Lot 1	78	€ 247.00	€ 2,964.00	€ 16,302.00	€ 19,266.00	€ 231,192.00	€ 1,271,556.00
Lot 2	76	€ 247.00	€ 2,964.00	€ 16,302.00	€ 18,772.00	€ 225,264.00	€ 1,238,952.00
Total	154	€ 247.00	€ 2,964.00	€ 16,302.00	€ 38,038.00	€ 456,456.00	€ 2,510,508.00

Whereas if such a vehicle were to be purchased then at least for the 66-month period these costs, not including risk of any high damages, that would result in higher cost.

#### Category 1

Dacia Sandero	Minimal value	The quantity required within the period	Total price
Purchase price	€ 12,500.00	1	€ 12,500.00
Technical control	€ 35.00	6	€ 210.00
Insurance	€ 108.56	6	€ 651.36
Casko	€ 160.00	6	€ 960.00
Registration	€ 77.00	6	€ 462.00
Summer tires	€ 40.00	4*2=8	€ 320.00
Winter tires	€ 50.00	4*2=8	€ 400.00
Regular servicing	€ 50.00	5*2=10	€ 500.00
Spare parts change	€ 50.00	6	€ 300.00
Ladder angles	€ 10.00	2	€ 20.00
Purchase and maintenance costs for the car			€ 16,323.36

Based on the responsibilities of the contractor we have the following costs for a rented car - Category 2 - Renault Megan:

#### Category 2

	Quantity	Price per Unit for 1 month	Price per unit for 1 year	Price per unit for 66 months	Price per unit for 1 month	Total price for 1 year	Total price for 66 months
Lot 1	102	€ 347.00	€ 4,164.00	€ 22,902.00	€ 35,394.00	€ 424,728.00	€ 2,336,004.00
Lot 2	102	€ 347.00	€ 4,164.00	€ 22,902.00	€ 35,394.00	€ 424,728.00	€ 2,336,004.00
Total	204	€ 347.00	€ 4,164.00	€ 22,902.00	€ 70,788.00	€ 849,456.00	€ 4,672,008.00

Whereas if such a vehicle were to be purchased then at least for the 66-month period these costs, not including risk of any high damages, that would result in higher cost.

#### Category 2

Renault Megan	Minimal value	The quantity required within the period	Total price
Purchase price	€ 19,900.00	1	€ 19,900.00
Technical control	€ 30.00	6	€ 180.00
Insurance	€ 108.56	6	€ 651.36
Casko	€ 230.00	6	€ 1,380.00
Registration	€ 77.00	6	€ 462.00
Summer tires	€ 40.00	4*2=8	€ 320.00
Winter tires	€ 50.00	4*2=8	€ 400.00

Regular servicing	€ 50.00	5*2=10	€ 500.00
Ladder angles	€ 10.00	2	€ 20.00
Spare parts change	€ 100.00	6	€ 600.00
Purchase and maintenance costs for the car			€ 24,413.36

Based on the contractor's responsibilities we have the following costs for a Peugeot car rented:

### Category 3

	Quantity	Price per Unit for 1 month	Price per unit for 1 year	Price per unit for 66 months	Price per unit for 1 month	Total price for 1 year	Total price for 66 months
Lot 1	39	€ 497.96	€ 5,975.52	€ 32,865.36	€ 19,420.44	€ 233,045.28	€ 1,281,749.04
Lot 2	39	€ 497.96	€ 5,975.52	€ 32,865.36	€ 19,420.44	€ 233,045.28	€ 1,281,749.04
Total	78	€ 497.96	€ 5,975.52	€ 32,865.36	€ 38,840.88	€ 466,090.56	€ 2,563,498.08

And if such a car were bought, it would have had the following costs:

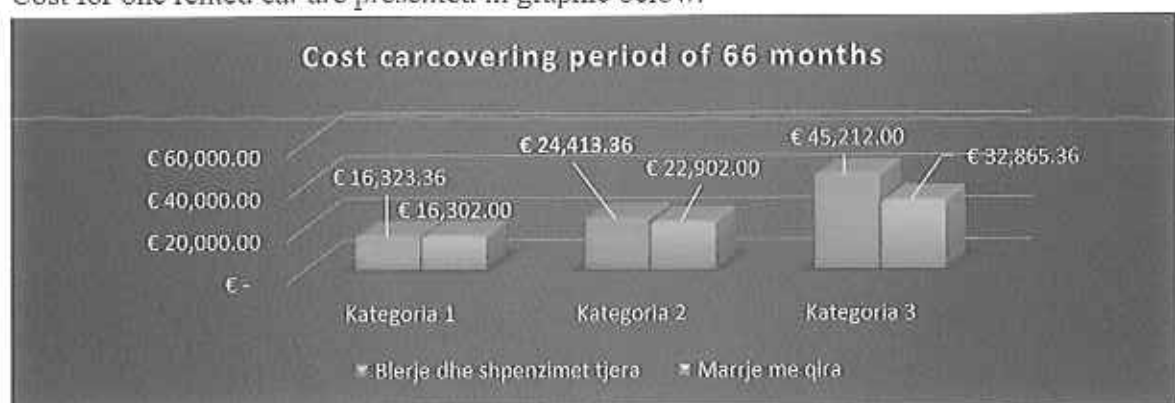
### Category 3

Peugeot 508	Minimal cost	The quantity required within the period	Total price
Purchase price	€ 38,000.00	1	€ 38,000.00
Technical control	€ 30.00	6	€ 180.00
Insurance	€ 185.00	6	€ 1,110.00
Casko	€ 450.00	6	€ 2,700.00
Registration	€ 77.00	6	€ 462.00
Summer tires	€ 60.00	4*2=8	€ 480.00
Winter tires	€ 70.00	4*2=8	€ 560.00
Regular servicing	€ 80.00	5*2=10	€ 800.00
Ladder angles	€ 10.00	2	€ 20.00
Spare parts change	€ 150.00	6	€ 900.00
Purchase and maintenance costs for the car			€ 45,212.00

If we compare the total cost of a car rented by CPA for 66 months (taking into account contractor's responsibilities) and the minimum costs assumed for the purchase and maintenance of a car of the same type, then depending on the type of car the savings will be as follows:

Costs for 1 car for 66 months				
	Purchase and other expenses	Renting	Savings	
Category 1	€ 16,323.36	€ 16,302.00	€ 21.36	0.13%
Category 2	€ 24,413.36	€ 22,902.00	€ 1,511.36	6.60%
Category 3	€ 45,212.00	€ 32,865.36	€ 12,346.64	37.57%

Cost for one rented car are presented in graphic below.



As the graphic shows, the highest saving is in the third category vehicles around **37.57%**, while in other two categories it is smaller, respectively, in the first category **0.13% savings** and in the second category it is **6.60% savings**. If we analyse the total number of cars then the total costs will be around **€ 9,746,014.08** for rent and approximately **€ 11,020,658.88** for purchases and other expenses, for 66 months as long as the duration of the contract, these expenses cover the categories as in the table below:

Expenses for all types of cars covering the period of 66 months					
	Quantity	Purchase and other expenses	Rental cars	Savings	
Category 1	154	€ 2,513,797.44	€ 2,510,508.00	€ 3,289.44	0.13%
Category 2	204	€ 4,980,325.44	€ 4,672,008.00	€ 308,317.44	6.60%
Category 3	78	€ 3,526,536.00	€ 2,563,498.08	€ 963,037.92	37.57%
Total	436	€ 11,020,658.88	€ 9,746,014.08	€ 1,274,644.80	13.08%

The graph below shows the costs for all vehicles for 66 months.



If we compare car rental costs for 66 months (taking into account all contractor's responsibilities) and minimum costs for purchase, insurance, maintenance and other expenses for the same number of cars, then the savings will be around € 1,274,644.80 or about 13.08%.

The following graphical presentation shows the possible costs and savings:



In each of the above cases, is calculated the approximate cost of each type of vehicle but there is one fact to be taken into account when renting a car is not executed the full payment as in the case of purchase but payments are done on monthly basis.

The damage caused the Budget of Kosovo by buying cars and not using the renting cars possibility is presented in the table below:

Category	Quantity	Price per unit	Total price
Category 1	154	€ 12,500.00	€ 1,925,000.00
Category 2	204	€ 19,900.00	€ 4,059,600.00
Category 3	78	€ 38,000.00	€ 2,964,000.00

Based on the approximate data on the market price of each of the types of vehicles rented, we consider that in order to purchase all these vehicles, the Kosovo State Budget would have to allocate approximately 9 million Euros for the purchase of vehicles. By sharing such expenses on a monthly basis covering the period of 66 months, provides the opportunity to use the funds for other projects.

At the beginning, these types of contracts were not implemented in Kosovo, but most developed countries and multinational companies have used these contracts long before Kosovo.

Although the following comparison is not exactly of the same level but it should be emphasized that renting a car in the private sector by private persons costs at least **25 Euros** per day which means approximately **750 Euros** per month. It is normal to estimate that the price in such cases is higher as it is not certain that a car will be rented on daily basis but also cars which cost 25 Euros per day are mainly older cars and not providing the comfort and safety of vehicles rented by the Central Procurement Agency

An advantage in buying cars is the residual value of vehicles after 66 months, but this based on the experience of Kosovo's public institutions has not shown satisfactory results as in most cases public institutions' cars have lost their value, being completely depreciated or even sold for very cheap prices.

The Government of Kosovo by Decision No. 03/13 of February 12<sup>th</sup> .2015, has authorized the Ministry of Public Administration to organize the sale of vehicles through auction. In November 2018, MPA has confirmed that in all institutions of the Republic of Kosovo there are a total of one hundred and eight cars not used at all. Such vehicles belong to the below institutions:

Institutions	Number of cars
Ministry of Infrastructures	20
Ministry of Economic Development	5
Ministry of Finance	12
Ministry of Local Government Administration	5
Ministry of Public Administration	12
Ministry of Health	3
Ministry of Environment and Spatial Planning	10
The Prime Minister Office	9
Kosovo Agency of Statistics	6
Kosovo Judicial Council	26
<b>Total</b>	<b>108</b>

These cars are parked in the parking of the above mentioned Institutions and ex- Rilindja Building Furthermore, all these cars are out of use and based on Regulation MF-No.02 / 2013 on Management of Non-Financial Assets have 0 value. So besides having great difficulty to be sold, such cars occupy a lot of space in parking of institutions

The centralized contracts, especially rentals have a very good impact on smaller institutions which have less vehicles, because institutions they have usually encountered problems in concluding contracts for servicing of vehicles on market-based price.

In conclusion, CPA recommends to continue with the procurement activity for renting cars, because the implementation of these contracts has brought significant economic and financial benefits, the maintenance and use of public institutions' assets, in this case cars. Through such contracts, it is possible for vehicle costs to be on monthly bases, throughout the duration of the contract, so there is no need to make large expenditures at a certain point in the case of buying a car.

Costs are incurred on monthly bases, including insurance, Casco insurance, registration, and regular or as needed servicing, summer and winter tire replacement, maintenance, repair and any other expenses over a 5 year period, etc. This provides the possibility for less procurement procedures, thus eliminating the procedures for insurance, servicing and maintenance, supply of tires, etc., which, as a result, creates economic benefits because it is a more comprehensive contract and cheaper too, it also prevents misuse of public money in the case of car servicing.

### 2.3 Public Framework contract – Air Transport Services

The Central Procurement Agency during 2018 has conducted the procurement procedure "Air Transport Services" and on 23<sup>rd</sup> of November 2018 signed the contract.

This contract foresees that the ticket prices to be market prices in real time and Economic Operators have offered only a "service charge" where the winning operator has offered the price for the service fees of 3 € per ticket.

The contract clearly states how the ticket price is calculated from the AMADEUS, GALILO, SABRE or other equivalent systems booking system plus the Service Fee.

In order to be able to check all invoices from all public institutions using this contract, it was decided that the employee will be hired under the supervision of officials from the Central Procurement Agency and that employee will be placed at CPA office and whenever the CPA or any other public institution having doubts about the price of the ticket can verify in advance the price of the ticket offered by the ticket booking computer system.

Given that there were no contracts of this nature earlier in public institutions, it is not possible to compare this contract with other contracts but anyway the price for the 3 Euro Service Charge is a very reasonable price considering also the costs of the contractor who must pay the salaries of the two employees who are engaged for this contract

A comparison can be made with the private sector where in most cases the Service Fee is higher than 20 euros per ticket. We can conclude this based on the following facts:

Based on international practice, there is no better way to enter into a contract for air transport services, any contract where prices would be fixed is not desirable as it will damage the budget of public institutions or damage the contract beneficiary but which can only be damaged in the short term, and if the rise in ticket prices continues it is natural to withdraw from the contract or even fail as a business which would not be desirable by the state of Kosovo.

## 2.4 Public Framework Contract – Supply of fuel

The CPA has also signed a centralized Contract for Fuel Supply, a contract divided into 5 lots, which entered into force on 12<sup>th</sup> of July 2019 and ends on 11<sup>th</sup> of July 2022. This contract is used by 86 Contracting Authorities where a total of 26,169,800 liters of fuel and 1,410,200 liters of petrol are foreseen to be spent. In the first two lots the premium per liter is 0.093 € for Diesel and Petrol, while in the LOT 3, 4 and 5, the premium is € 0.0909 per liter.

Name of Contracting Authority	Unit measure	Estimated quantity for 3 years	
		Diesel for cars, generators, heaters and other moving vehicles 10ppm	Petrol for cars and generators
Lot 1 (1 AK)	Liter	9705000	435000
Lot 2 (27 AK)	Liter	5336700	438000
Lot 3 (24 AK)	Liter	4567100	107800
Lot 4 (26 AK)	Liter	2141300	340400
Lot 5 (8 AK)	Liter	4419700	89000
<b>86 Contracting Authorities</b>		<b>26169800</b>	<b>1410200</b>

Analyzing the contract prices and market prices for the 3 months after entry into force, it turns out that in Lots 1 and 2, supply of fuel we have an average saving of € 0.1044 per liter, whereas for petrol the average savings per liter is € 0.1548, whereas in Lots 3, 4, and 5 savings per liter for oil is € 0.0935 and for petrol is € 0.1423 compared to the market price.

HIB PETROL		Date: 12.02.2019		AQP-18-001-115		Lot 1, 2	
LOT 1 and 2	Diesel				Petrol		
Month	Contract Price	Market price of 15 <sup>th</sup>	Difference	Contract price	Market price of 15 <sup>th</sup>	Difference	
August 2019	€ 1.0399	€ 1.17	€ (0.1301)	€ 1.0157	€ 1.180	€ (0.1643)	
September 2019	€ 1.0736	€ 1.17	€ (0.0964)	€ 1.0352	€ 1.175	€ (0.1398)	
October 2019	€ 1.0634	€ 1.15	€ (0.0866)	€ 1.0197	€ 1.180	€ (0.1603)	
Average:	€ 1.0590	€ 1.1633	€ (0.1044)	€ 1.0235	€ 1.1783	€ (0.1548)	

Petrol Company		Date: 02.05.2019	AQP-18-001-115		Lot 3, 4, 5	
LOT 3,4,5	Fuel			Petrol		
Month	Contract Price	Market price of date 15 <sup>th</sup>	Difference	Contract Price	Market price of date 15 <sup>th</sup>	Difference
August 2019	€ 1.0374	€ 1.15	€ (0.1126)	€ 1.0132	€ 1.170	€ (0.1568)
September 2019	€ 1.0711	€ 1.15	€ (0.0789)	€ 1.0327	€ 1.160	€ (0.1273)
October 2019	€ 1.0609	€ 1.15	€ (0.0891)	€ 1.0172	€ 1.160	€ (0.1428)
Average:	€ 1.0565	€ 1.1500	€ (0.0935)	€ 1.0210	€ 1.163	€ (0.1423)

Assuming this trend of the average difference between average contract prices and market prices will be the same until the end of the contract, then the potential savings will be as follows:

Lot 1	Fuel		Petrol	
Estimated quantity for 3 years		9705000		435000
x Price differences	€	0.1044	€	0.1548
Total average savings	€	1,013,202.00	€	67,338.00

Lot 2	Fuel		Petrol	
Estimated quantity for 3 years		5336700		438000
x Price differences	€	0.1044	€	0.1548
Total average savings		€ 557,151.48		€ 67,802.40

Lot 3	Fuel	Petrol
Estimated quantity for 3 years	4567100	107800
x Price differences	€ 0.0935	€ 0.1423
Total average savings	€ 427,023.85	€ 15,339.94

Lot 4	Fuel	Petrol
Estimated quantity for 3 years	2141300	340400
x Price differences	€ 0.0935	€ 0.1423
Total average savings	€ 200,211.55	€ 48,438.92

Lot 5	Fuel	Petrol
Estimated quantity for 3 years	4419700	89000
x Price differences	€ 0.0935	€ 0.1423
Total average savings	€ 413,241.95	€ 12,664.70

So in total, from the estimated amount, savings are around **€ 2,822,414.79**, of them **€ 2,610,830.83** in fuel and **€ 211,583.96** in petrol.

Savings per Lot	Fuel	Petrol	Total
Lot 1	€ 1,013,202.00	€ 67,338.00	€ 1,080,540.00
Lot 2	€ 557,151.48	€ 67,802.40	€ 624,953.88
Lot 3	€ 427,023.85	€ 15,339.94	€ 442,363.79
Lot 4	€ 200,211.55	€ 48,438.92	€ 248,650.47
Lot 5	€ 413,241.95	€ 12,664.70	€ 425,906.65
Total	€ 2,610,830.83	€ 211,583.96	€ 2,822,414.79

## 2.4 Public Framework Contract – Supply of Heavy Oil

During 2018, the CPA has conducted the centralized procurement procedure” Supply of heavy oil”, for Contracting Authorities according to AI 06/2018 and, on 23<sup>rd</sup> of November, 2018 has signed the contract. This contract has a duration of three years with an estimated quantity of **3661 tons**.

Month	Price
January	770.4464
February	810.3662
March	816.09429
April	825.8851
May	787.37044
June	919.82620
July	938.71462
August	880.21286
September	878.07208
October	889.87400
Average price	<b>847.44313</b>

The only other contract for Supply of Heavy Oil, comparable to the contract signed by the CPA is the one signed by KOSOVO ENERGY CORPORATION JSC, a contract which according to KDI research turns out to be **72%** more expensive than the contract signed by the CPA. For every ton of oil purchased, KEK will pay **€ 107.21** for premium and shipping costs, while CPA pays only **€ 62.33** for 1 ton of oil purchased. This difference of **€ 44.88** in price would save **€ 448,800.00** if KEK were to purchase 10,000 tons of heavy oil (as projected) at the same premium as CPA.

## Conclusions:

1. Centralized Procedures reduce the number of procurement procedures which is more efficient both on time and on the financial aspect as a larger quantity required would lead to cheaper prices. For example, car renting procedure carried out by the CPA through a procurement procedure has eliminated many procurement procedures that would have to be developed by 160 CAs for the purchase of cars; vehicle maintenance; purchase of tires; purchase of insurance policies; registration and technical controls. So for all these services, approximately 800 procurement procedures would have to be carried out for 36 months while the CPA contract is for 66 months, which means about 10 procurement procedures would have to be developed. Furthermore, the rental copy contract is similar to the rental car contract as it also includes the purchase of photocopiers, printers, the purchase of toners and the maintenance of photocopiers/printers. Whereas, if the procurement procedures were to be developed by the CA itself a minimum of 160 procurement procedures would have to be developed.
2. In each centralized contract analyzed there are savings of the budget of the Republic of Kosovo;
3. Centralized procured are monitored by more external parties and it is easier to monitor a centralized procedure than to monitor all procedures if they were to be developed by the CA itself.
4. Analyzing the conclusion of the Central Procurement Agency contracts for which the Auditor General has raised concerns in the 2018 Performance Audit Report, that they will incur budget losses if 70% of the contract fails to see CPA take action on the concerns and has concluded conclusions with economic operators on the conclusion of contract stating that neither party has obligations to the other party.
5. The technical requirements and other professional criteria of the CPA tender dossier are drawn up by committees established by experts from some institutions which imply that they would be more professional than if they were drafted only by experts from one institution.

## Recommendations:

Taking into account the findings from the prior CA contracts, the data available to the CPA and the above stated benefits of the contracts signed by the CPA from the implementation of centralized procurement by the CPA, it is recommended that;

1. Continue the implementation of centralized procurement by the CPA taking into account first and foremost the financial benefits:

2. Continue to implement the centralized procurement by the CPA for better implementation and management and conforming to the legal requirements of the entire process of procurement activity;
3. Increase the cooperation between CA and CPA, for a successful implementation of these contracts;
4. Have a close cooperation with the CPA – CA in terms of monitoring the execution of contracts from centralized procurement led by the CPA;
5. Continue to use public contracts for the rental of various equipment including medical equipment in accordance with EU practices;
6. Increase the list of central procurement including public lighting decoration, disinfection, cleaning services, insurance etc.
7. Continue to use public contracts for all transport services based on the price of the Service Tariffs;
8. Considering the structure of Central Procurement Agency in developed countries, we consider that CPA should increase both in terms of the number of officials and in professional terms;
9. Administrative Instruction to be approved at the beginning of the year and not with delays.