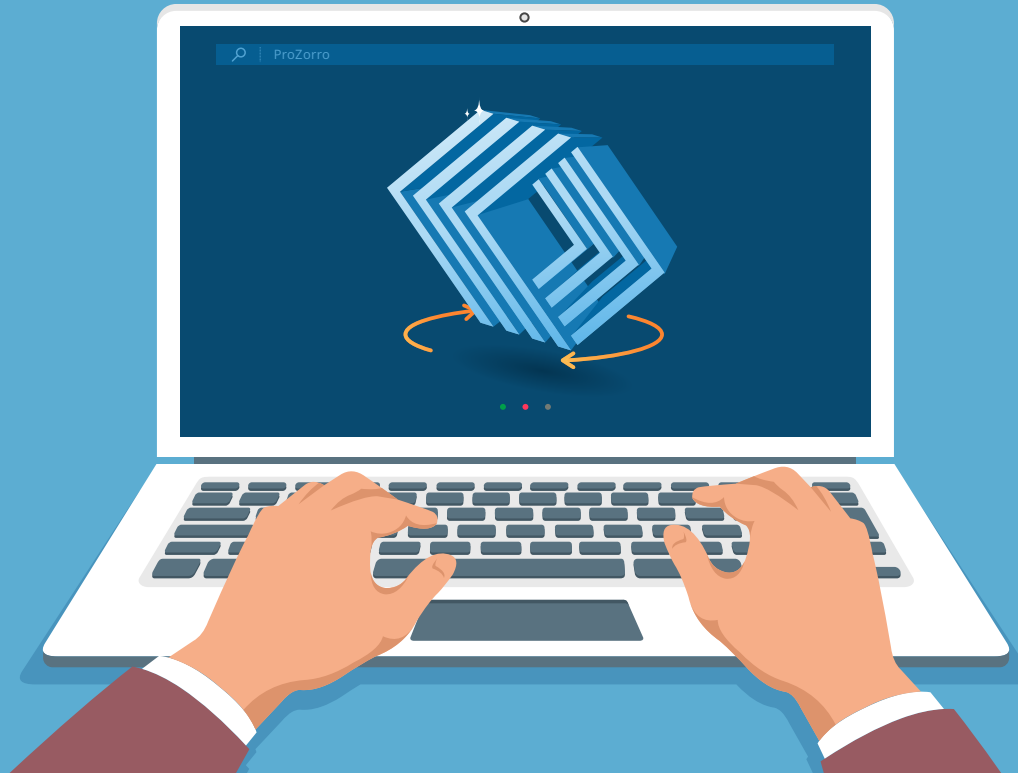


BEHIND THE SCENES OF PROZORRO:

Does Ukrainian business trust public procurement?



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Kyiv–2019

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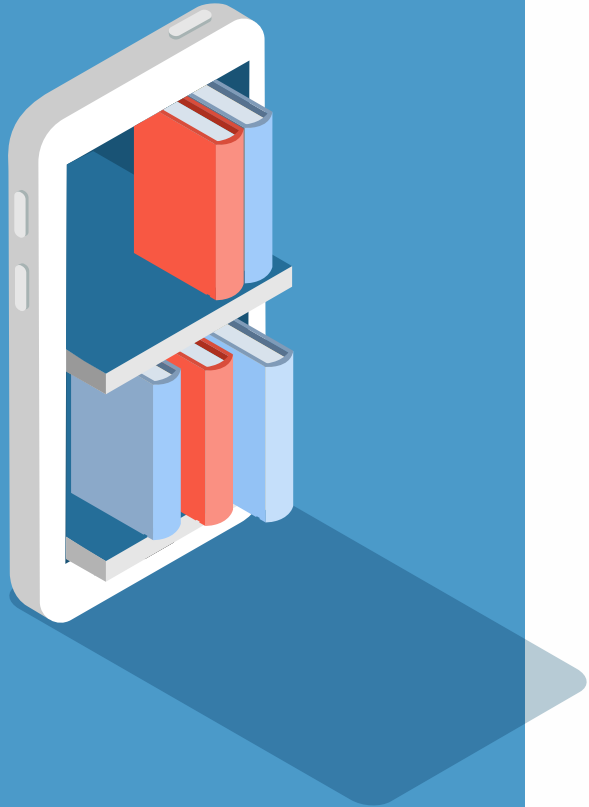
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ABBREVIATIONS

AMCU Anti-Monopoly Committee of Ukraine

GDP Gross domestic product

TOV Limited liability company (Ukrainian legal notion)

BI Business Intelligence

CPV common procurement vocabulary

INTRODUCTION

It has been three years since the official launch of ProZorro, but has the business started trusting public procurement during this time? Or perhaps, the whole system still works only with several suppliers, stopping the others from signing the contract? Perhaps, most entrepreneurs tried to participate in a tender, were disqualified, and so they concluded that "nothing has changed"?

At the beginning of the Revolution of Dignity, the issue of public procurement reform was raised to shed light on public spending. The idea was quite simple: if the Ukrainian business trusts the government and believes that it has a chance to win the auction honestly, there will be more tender participants. This will increase competition as well as the probability of getting better products at a lower price. As the result of this idea, ProZorro public procurement system was officially launched in August 2016. Let's find out how business trust in the field of public procurement has changed over the last three years.

One of the main problems is that it is not an easy task to measure trust. Everyone with Internet access can go to bi.prozorro.org, which is ProZorro's BI module, and see the details of purchases made by any government body. However, there is no such special indicator as "Trust" on the website.

The DOZORRO team, who are also the authors of this study and provide an oversight of public procurement, have decided to compare ProZorro participants' experience, their perceptions of the public procurement system, and their bidding statistics over the last three years.

The main aim was to understand the level of business' satisfaction with the system and the willingness to continue participation in competitive procurement. In addition, we tried to find out what affects the participants' satisfaction and their desire to keep bidding in ProZorro.

In this study two sources of information were used: a professional BI¹ module and survey results.

Using the BI module, we have obtained statistical data on the participants' activity in the system, the percentage of victories, the number of new members who stopped participating, etc.

These data, based on the survey that ran from August 2016 to August 2019, cover more than 90 thousand participants, all those who have at least once submitted a competitive bid in ProZorro. The study authors considered mostly competitive tenders considering that due to manual information entry, the data in the non-competitive procurement BI module sometimes has inaccuracies and mistakes. Additionally, there are indicated cases where the numbers also include non-competitive procurement.

To evaluate system perception among the ProZorro participants, an anonymous online survey was conducted from August 27 to September 10, 2019, using the SurveyMonkey service. People who had experience in public procurement and were registered on one of such websites as SmartTender, Zakupki.Prom.ua, E-tender and BiddingOnline were invited to take part in our survey. The survey, involving 599 respondents, asked about participants' satisfaction with the ProZorro system, their vision of current problems, further intentions to participate in public procurement, etc.

As it is not possible to ensure random selection of participants in such an online survey, the methodological limitation is that the results are not representative. However, the study reflects all the trends and tendencies. There is one more methodological limitation: we may have not covered those who are dissatisfied with the system and do not work in ProZorro; therefore, mostly active bidders were interviewed. This distorts the overall picture and does not correlate with the overall statistics. For example, 70% of survey respondents indicated that they bid in a public tender at least once a month. At the same time, according to the BI module, over the last year of ProZorro's activity, only 20.5% of participants would make a bid once a month or more often.

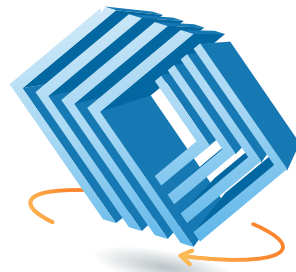
The study consists of three parts. The first one includes information statistics on ProZorro participants' activity over three years, e.g. how often they go beyond their respective regions, submit proposals and win bids, which regions and businesses are the most active etc. The second part describes business' satisfaction with the ProZorro system, and in the third one participants' opinions on corruption in public procurement are presented.

¹ bi.lvzvz01a

CHAPTER 1

THREE YEARS OF PROZORRO

From August 2016 to August 2019, goods and services for a total amount of UAH 3.44 trillion were procured. This amount is almost equal² to the GDP of Ukraine in 2018. On average, during this period, procuring entities announced about 2,700 competitive (completed) lots every day.



² bit.ly/ZMOGrSu

ProZorro over the last three years³



2.96 mln
completed
lots



UAH 3.44 trln
total amount of concluded
contracts

YEAR 1

01.08.16 -
01.08.17



712 440 lots



UAH 730.30 billion

YEAR 2

01.08.17 -
01.08.18



1 035 765 lots



UAH 900.56 billion

YEAR 3

01.08.18 -
01.08.19



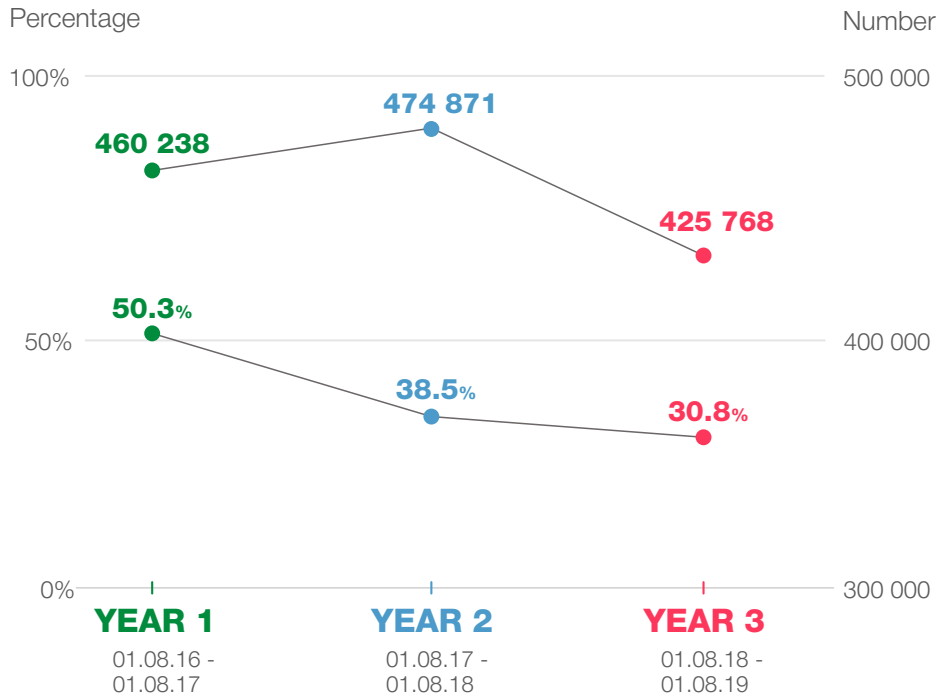
1 208 675 lots



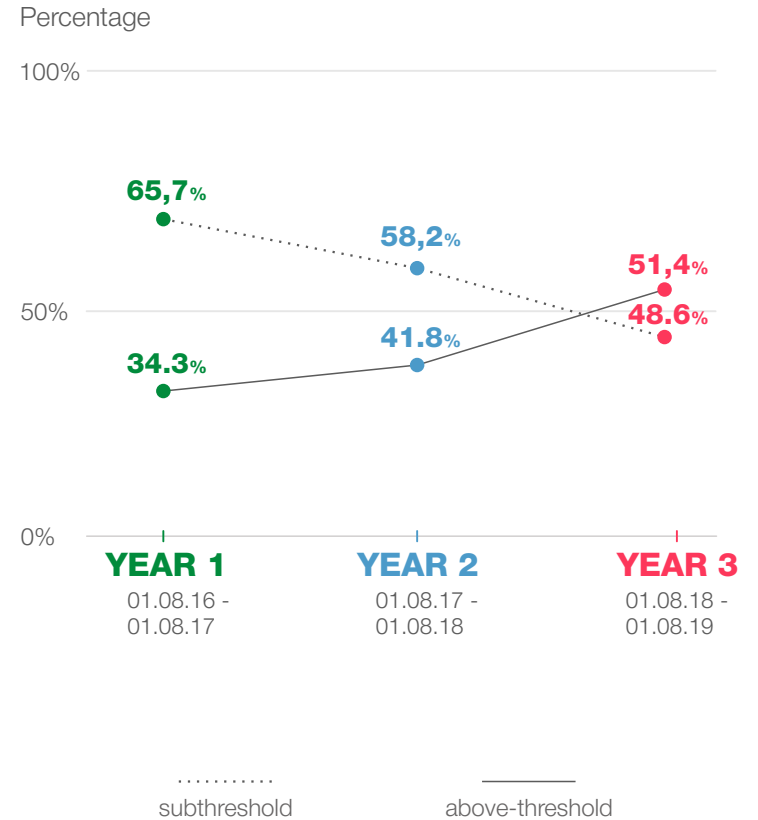
UAH 1 810.03 billion

³ Data about competitive and non-competitive procurement

Announced number of competitive lots



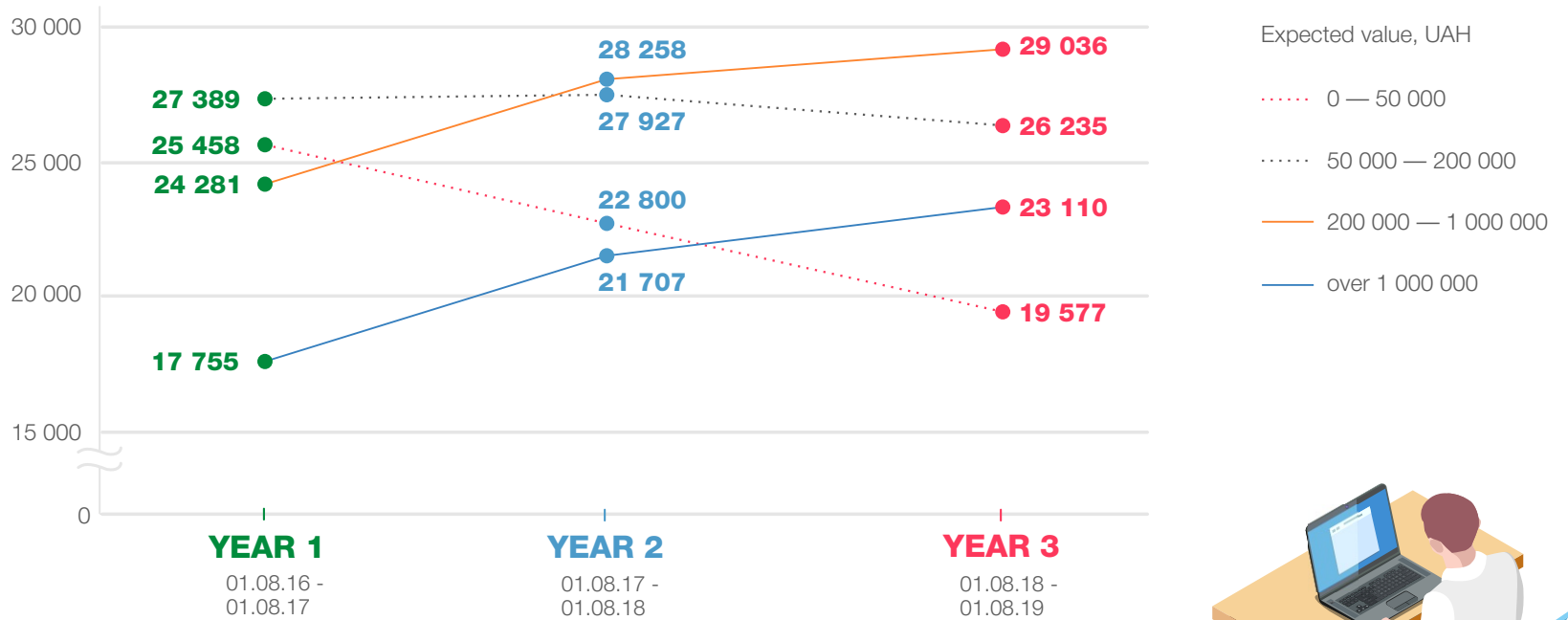
Share of subthreshold and above-threshold lots among announced competitive lots



In relative terms, the share of competitive lots has been steadily declining since ProZorro's launch in 2016. In absolute terms, too, in 2018-2019 there were fewer competitive lots than in 2016-2017.

The number of bidders

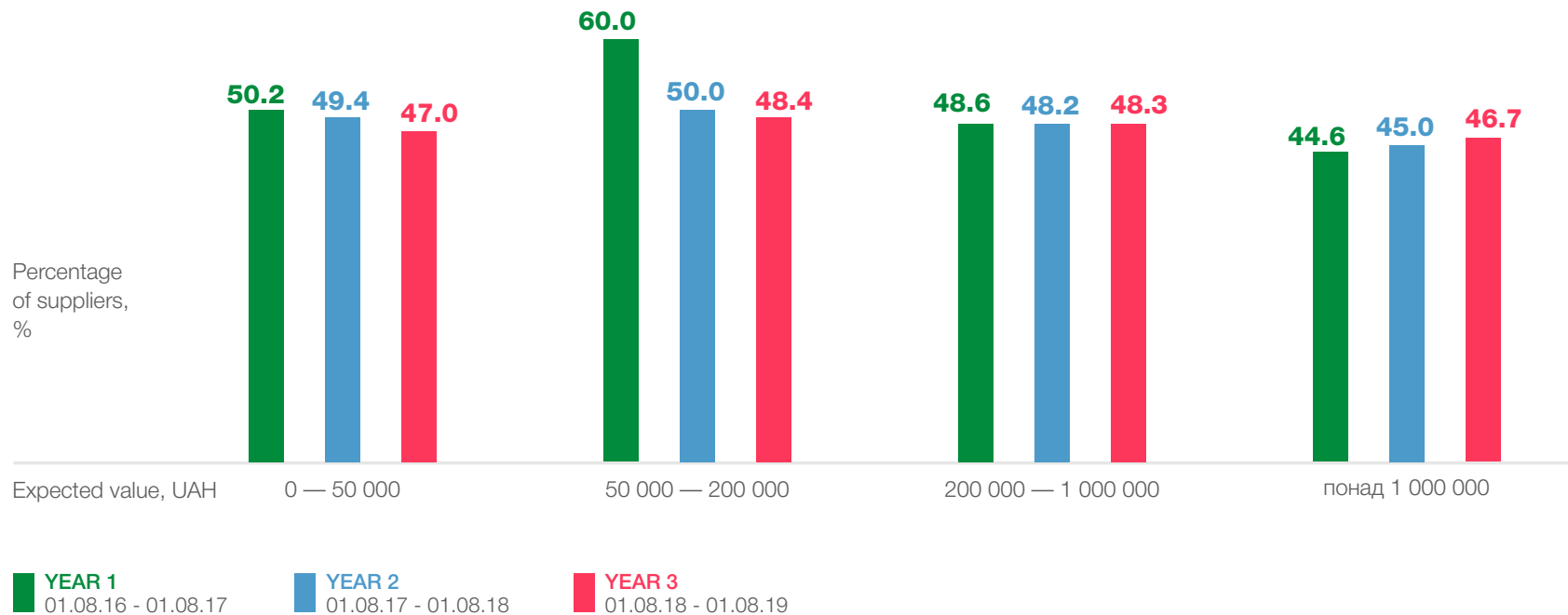
The number of participants



Over the years, there have been increasingly fewer participants applying for lots with a lower expected cost (especially up to UAH 50,000) and more participants competing for lots with an expected value of UAH 200,000 or more.



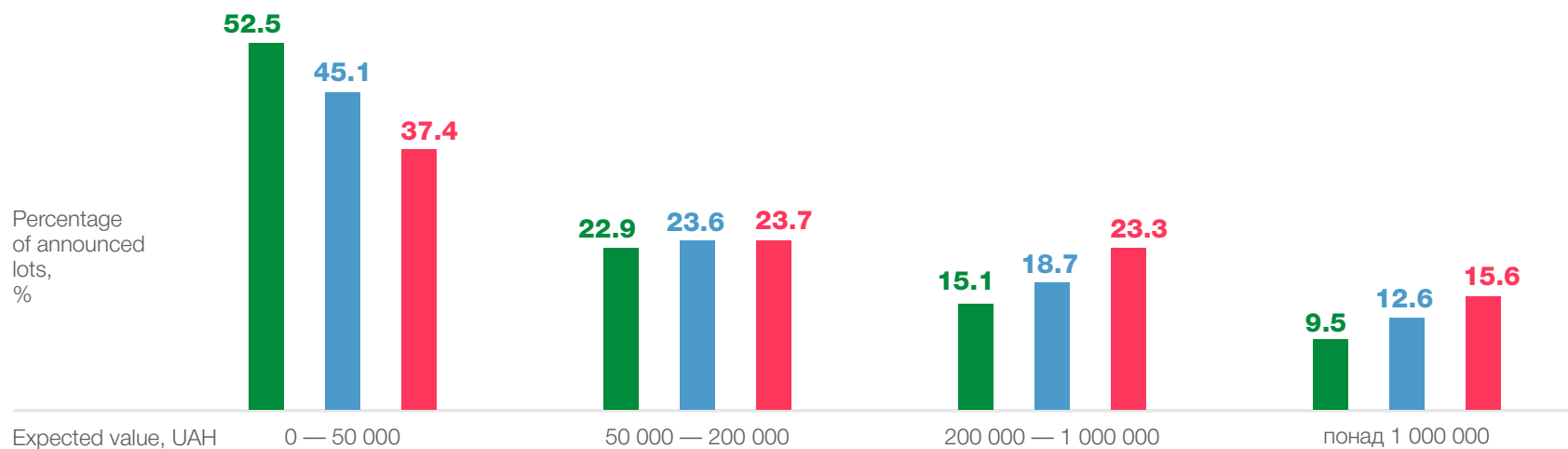
Percentage of suppliers not participating in the tender outside their area



Regardless of the expected lot value, about half the bidders work only locally. In subthreshold procurement, the percentage of participants from their area has been gradually declining over the last three years, while the share of businesses from other regions has increased. At the same time, if the changes in the lots with the expected value up to 50 thousand UAH are

insignificant, then for the lots from 50 thousand to 200 thousand the share of business, which was supplied exclusively in their regions, decreased by 11.6%. The opposite trend is observed in lots with the value of 1 million UAH. In such procurement local business on the contrary often begins to participate only in their region.

Lots percentage announced depending on the expected value



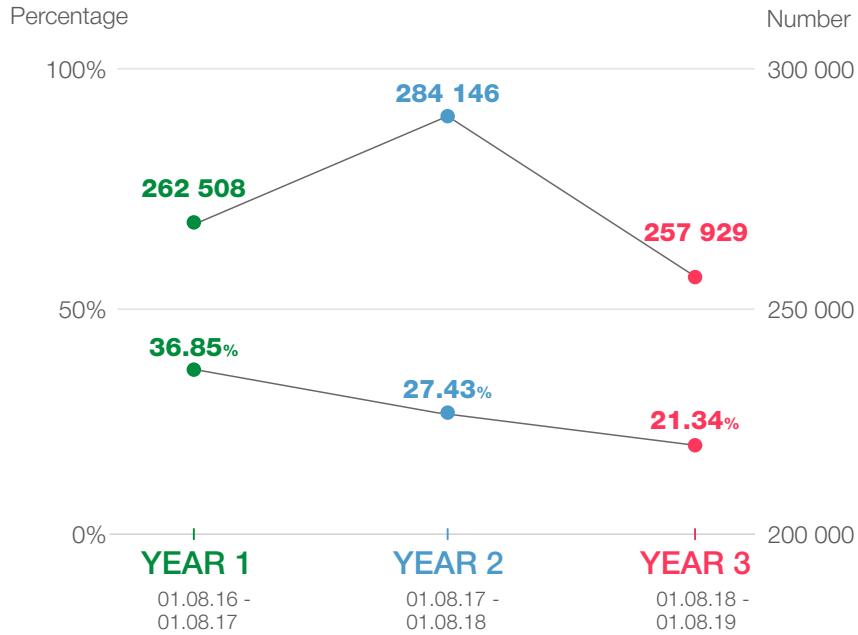
YEAR 1
01.08.16 - 01.08.17

YEAR 2
01.08.17 - 01.08.18

YEAR 3
01.08.18 - 01.08.19

Over the years, more participants are involved in tenders with a higher expected value because more such lots are now announced.

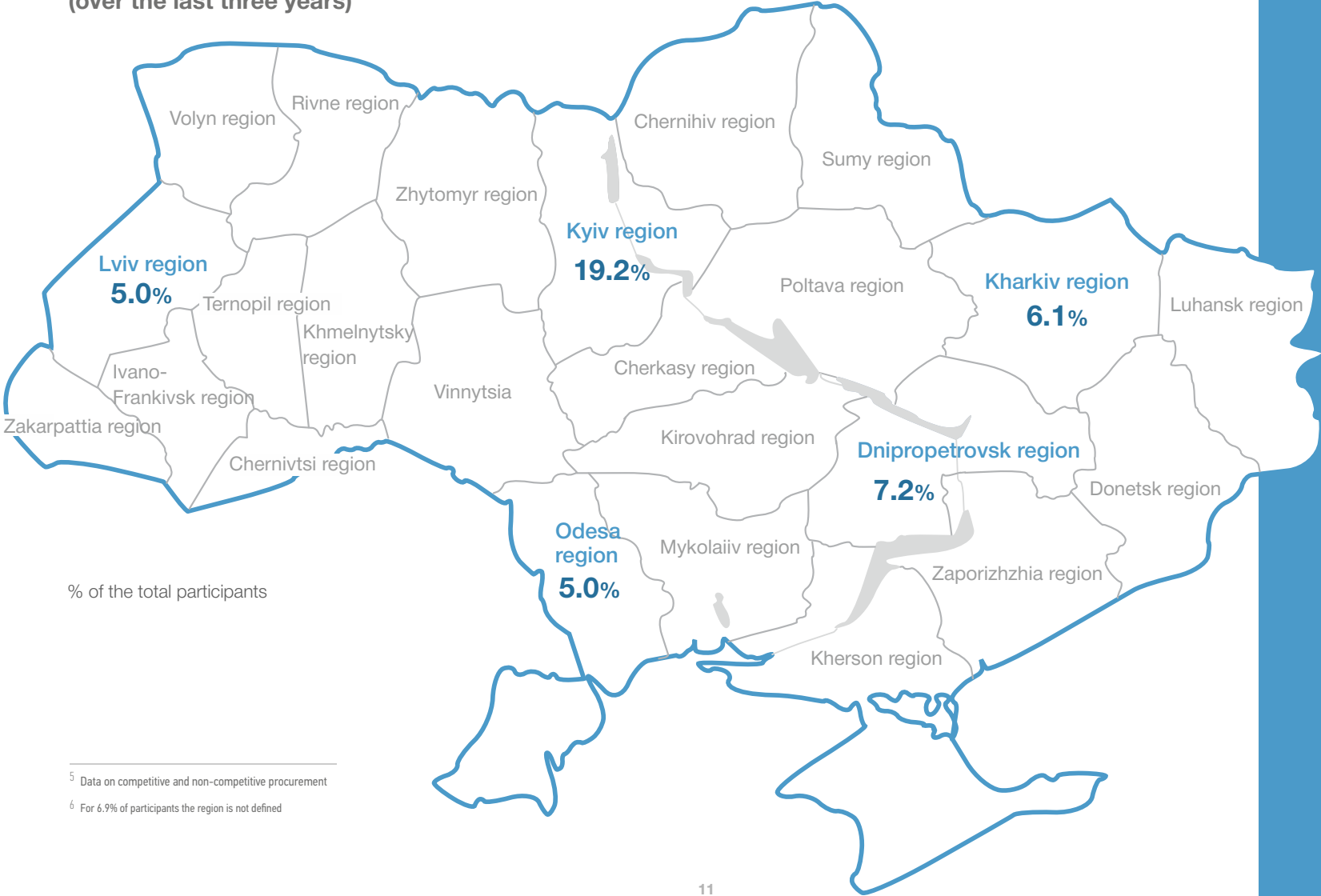
Number of competitive lots among completed tenders⁴



⁴ Data on competitive and non-competitive tenders



**Top 5 regions by number of registered participants⁵
(over the last three years)⁶**



⁵ Data on competitive and non-competitive procurement

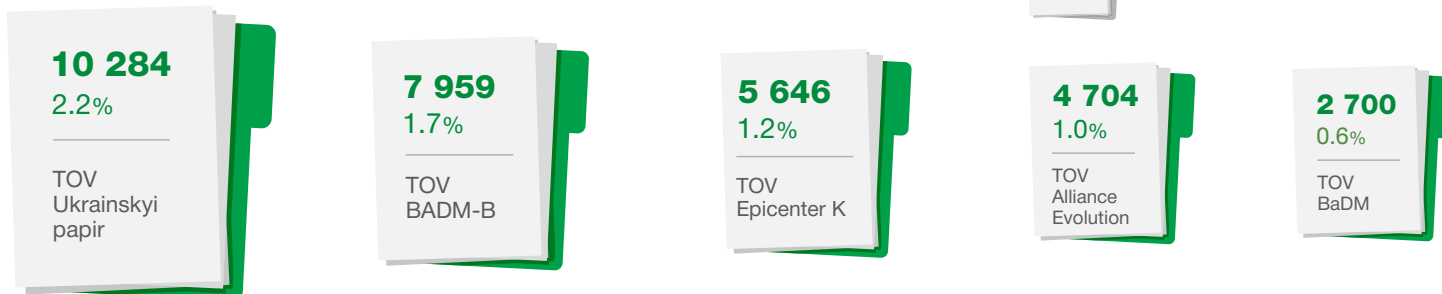
⁶ For 6.9% of participants the region is not defined

The most frequent bidding participants



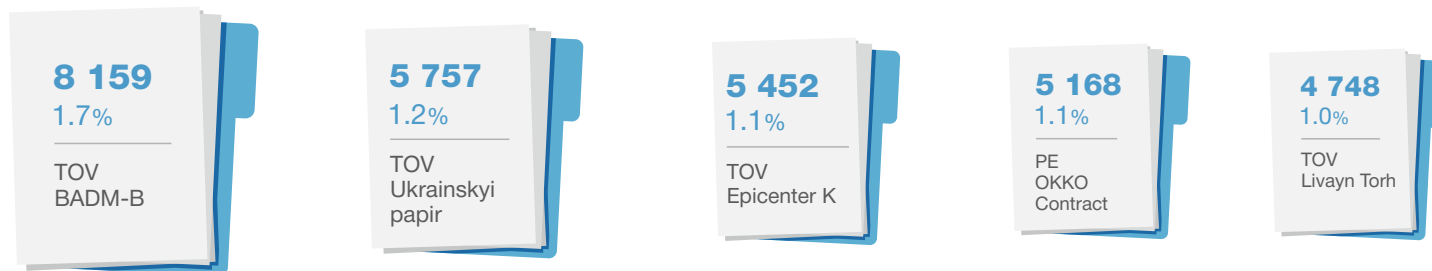
YEAR 1

august 2016 -
august 2017



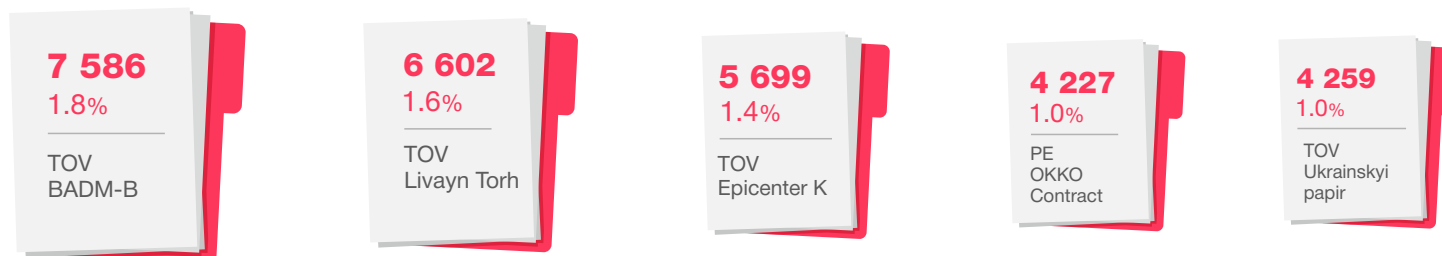
YEAR 2

august 2017 -
august 2018



YEAR 3

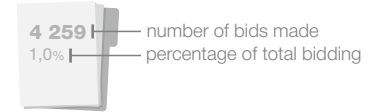
august 2018 -
august 2019



Seven companies ranked in the top five based on the frequency of their participation in competitive bidding over the last three years. Two of them - BADM-B and BADM - are powerful players in the pharmaceutical market. OKKO Contract,

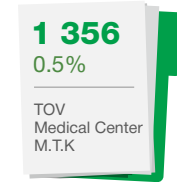
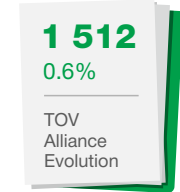
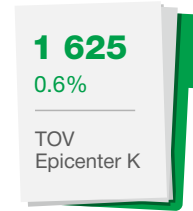
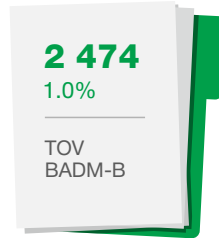
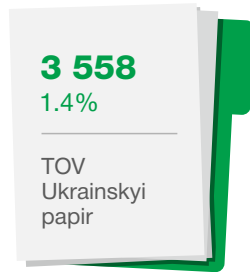
Alliance Evolution and Livayn Torh sell fuel. Epicenter K sells construction commodities and materials, and Ukrainskyi papir offers paper products as well as household chemicals, office supplies etc.

Participants who have signed the largest number of contracts



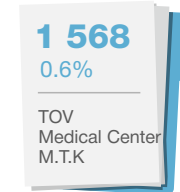
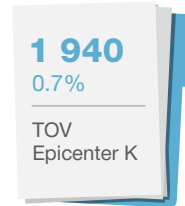
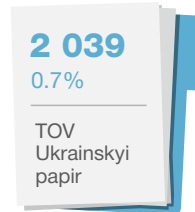
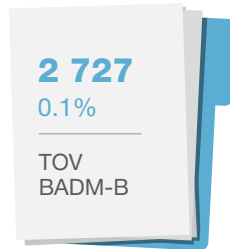
YEAR 1

august 2016 -
august 2017



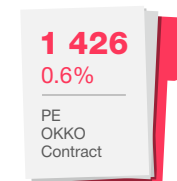
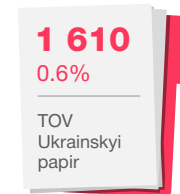
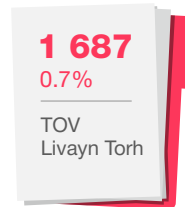
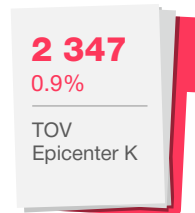
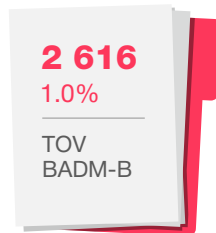
YEAR 2

august 2017 -
august 2018



YEAR 3

august 2018 -
august 2019



Over the three years of ProZorro's work, seven participants ranked in the top five companies that signed the highest number of contracts. Almost all of them are also among the leading companies based on the number of tenders in which they participated: OKKO Contract,

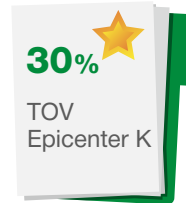
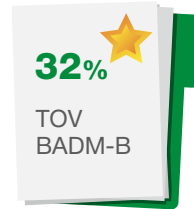
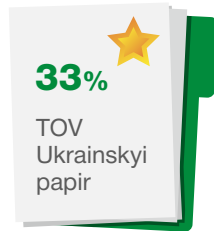
Alliance Evolution and Livayn Torh operate in the fuel market, BADM-B and M.T.K Medical Center sell pharmaceutical products, Epicenter K sells construction commodities and materials, and Ukrainskyi papir sells paper products.

Percentage of awarded tenders for the most frequent bidders

The most active bidders won in about one in three tenders in which they participated.

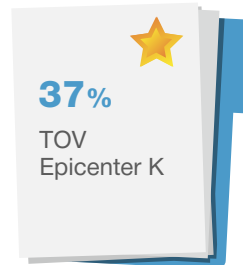
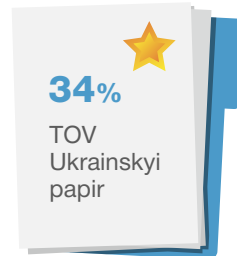
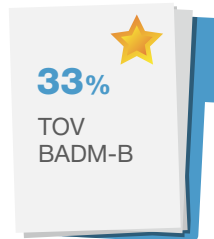
YEAR 1

august 2016 -
august 2017



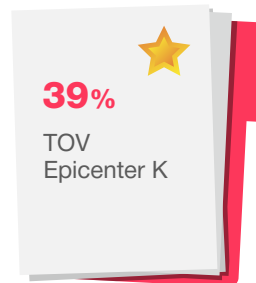
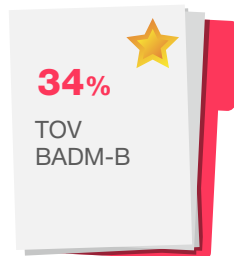
YEAR 2

august 2017 -
august 2018



YEAR 3

august 2018 -
august 2019



Participants - record holders based on concluded contracts

YEAR 1

august 2016 -
august 2017



TOV
Automagistral-
Pivden



TOV Interpipe
Ukraine



NAK Naftogas
of Ukraine



TOV Trade
Commodity



SC Lvivskiy
oblavtodor

YEAR 2

august 2017 -
august 2018



NAK
Naftogas
of Ukraine



TOV
Automagistral-
Pivden



TOV Onur
Konstruktion
International



TOV Interpipe
Ukraine



TOV PBS

YEAR 3

august 2018 -
august 2019



DEIC



NAK Naftogas
of Ukraine



TOV
Automagistral-
Pivden



TOV Onur
Konstruktion
International



PC
Kyivmetrobud

For three years, nine companies ranked as the top five leaders according to the number of concluded contracts. Such companies as Automagistral-Pivden, Onur Konstruktion International, PBS and Lviv Oblavtodor construct roads, Interpipe Ukraine produces steel products, Naftogas of Ukraine and Trade Commodity work on the fuel market.

DEIC is a Chinese state-owned company that has won the tender for the generative unit reconstruction of Slaviansk thermal power⁷ plant No. 6, and Kyivmetrobud is in charge of tunnels and construction of other industrial facilities.

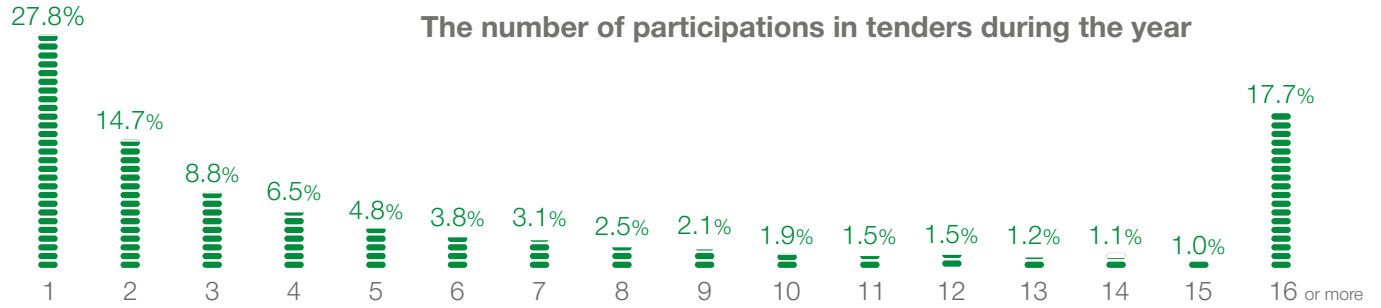
⁷ bit.ly/2m8pWUj

YEAR 1

50 250

Total, participants

Number of participations

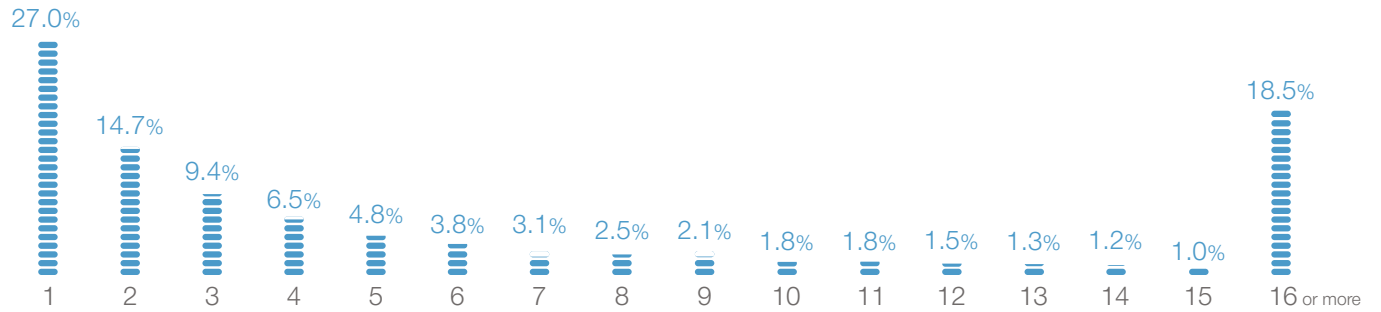


YEAR 2

52 849

Total, participants

Number of participations

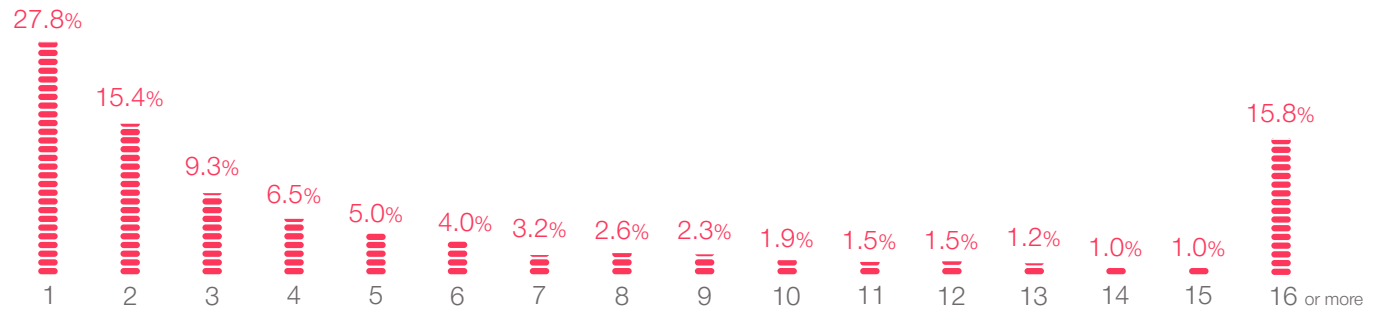


YEAR 3

52 520

Total, participants

Number of participations

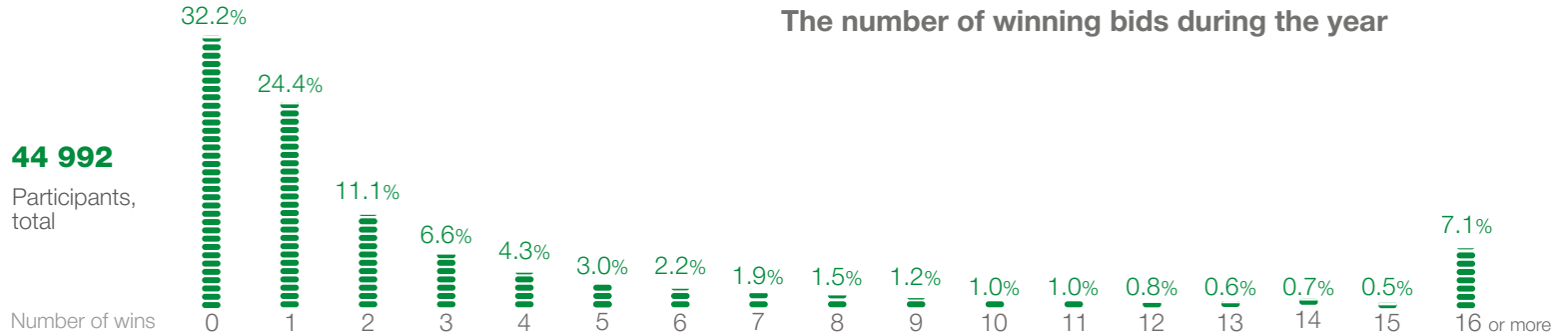


According to the BI module data, over the last year of ProZorro's work (August 2018 - August 2019), less than a third of bidders participated only in one tender a year, and only ≈ 20% participants made a bid once a month or more.

Half the participants bid 2 to 10 times a year.

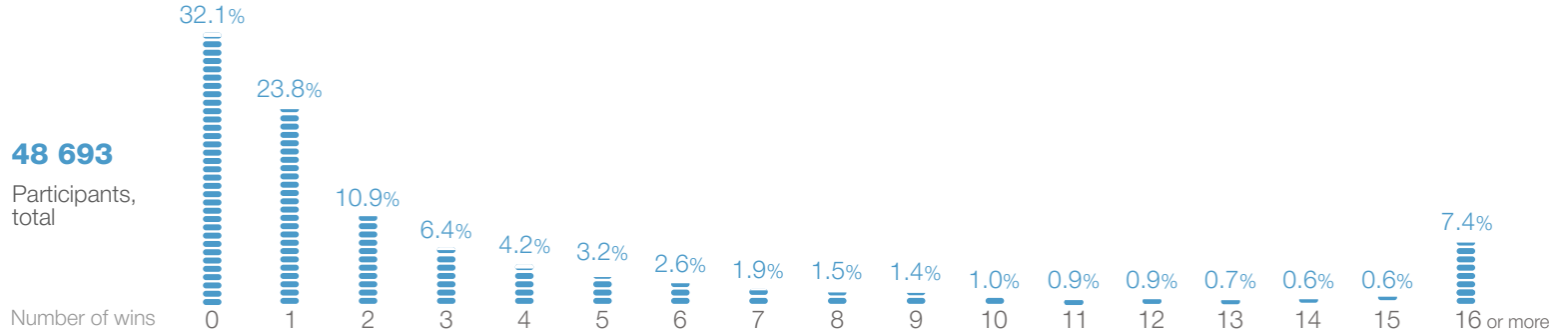
YEAR 1

44 992
Participants, total



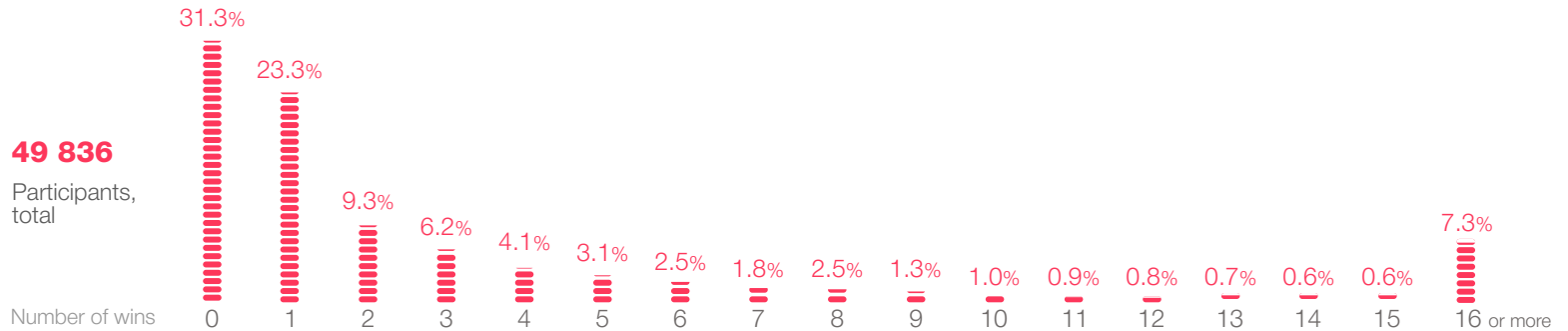
YEAR 2

48 693
Participants, total



YEAR 3

49 836
Participants, total



Over the years, the frequency trend has not changed. One in three participants has never won competitive procurement, while a quarter of participants won bids once

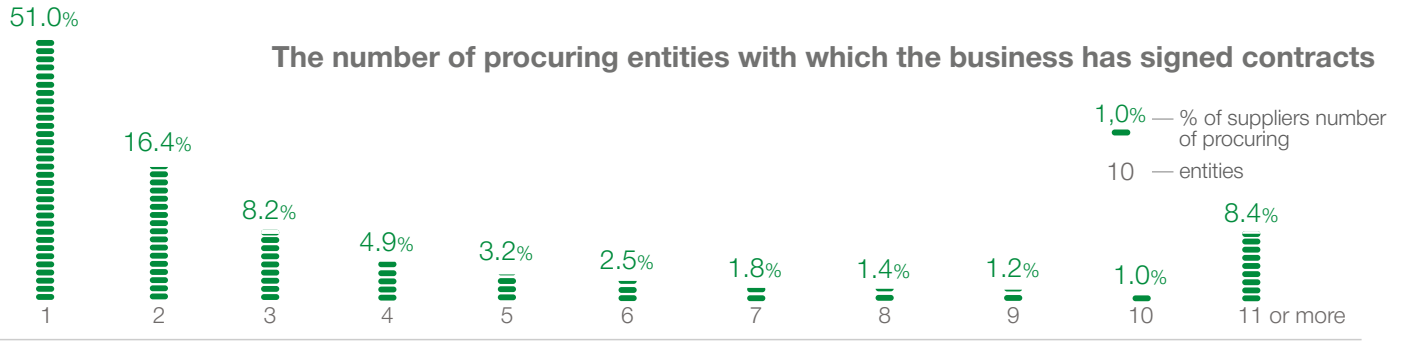
a year, and one in five of them has won two to four times a year.

YEAR 1

30 392

The number of suppliers with concluded contracts

The number of procuring entities

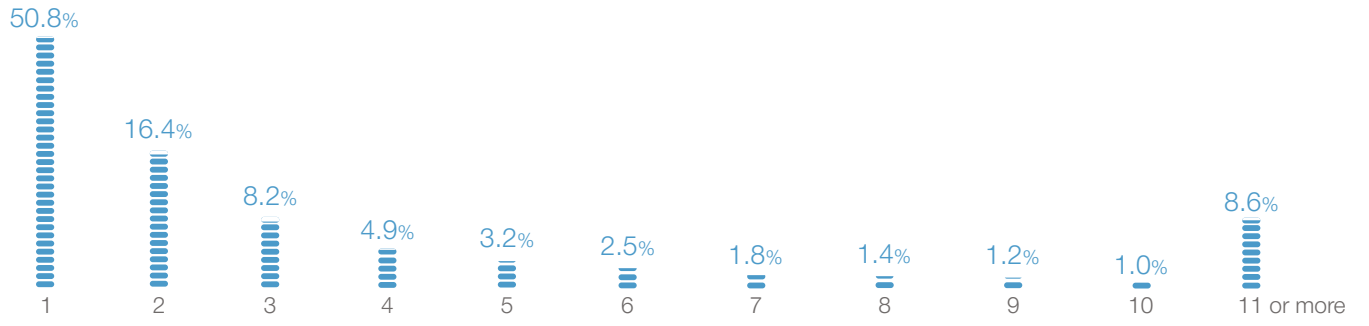


YEAR 2

33 017

The number of suppliers with concluded contracts

The number of procuring entities

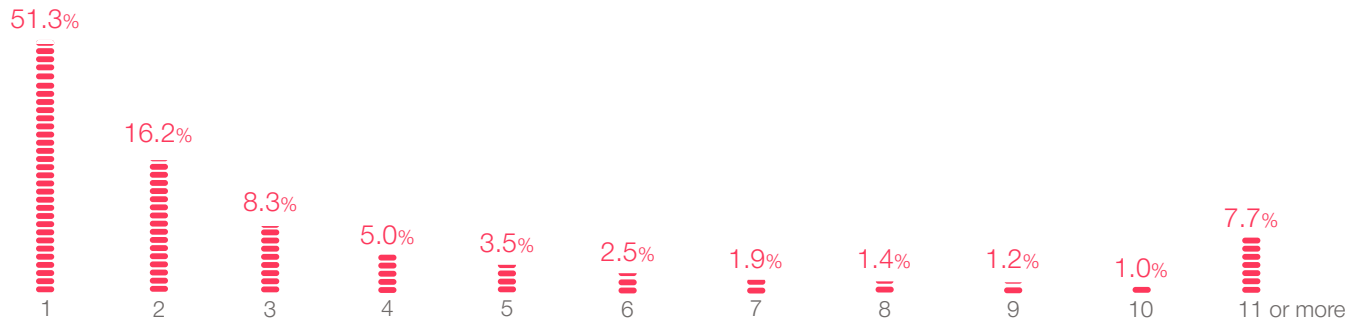


YEAR 3

32 928

The number of suppliers with concluded contracts

The number of procuring entities



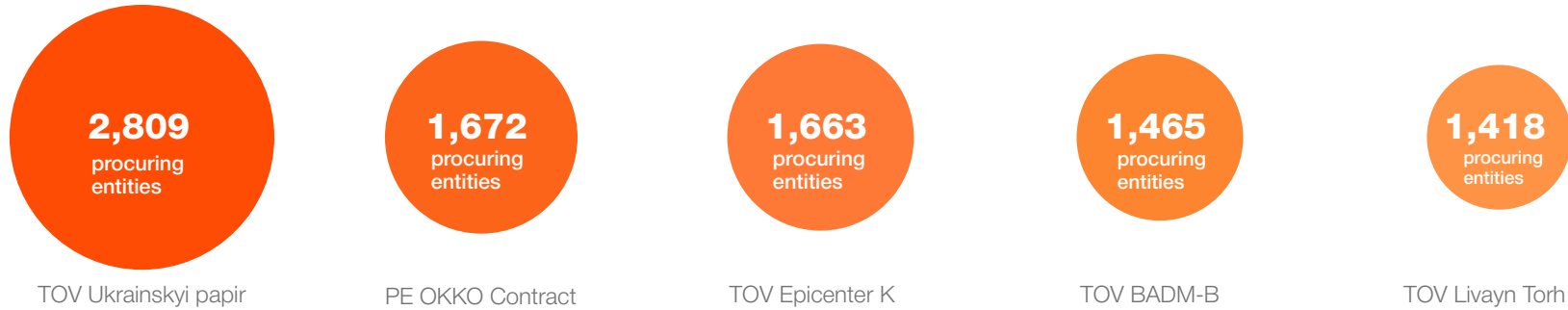
Annually, procuring entities entered into agreements with ≈30,000 suppliers in the ProZorro system through competitive procedures. On average,⁸ a business would only sign an agreement with one procuring entity both in the first and in the third years of the system's work.

Every year, only ≈2,500 participants concluded contracts with 11—100 procuring entities. About 120 participants had agreements with 100 to 1000 procuring entities.

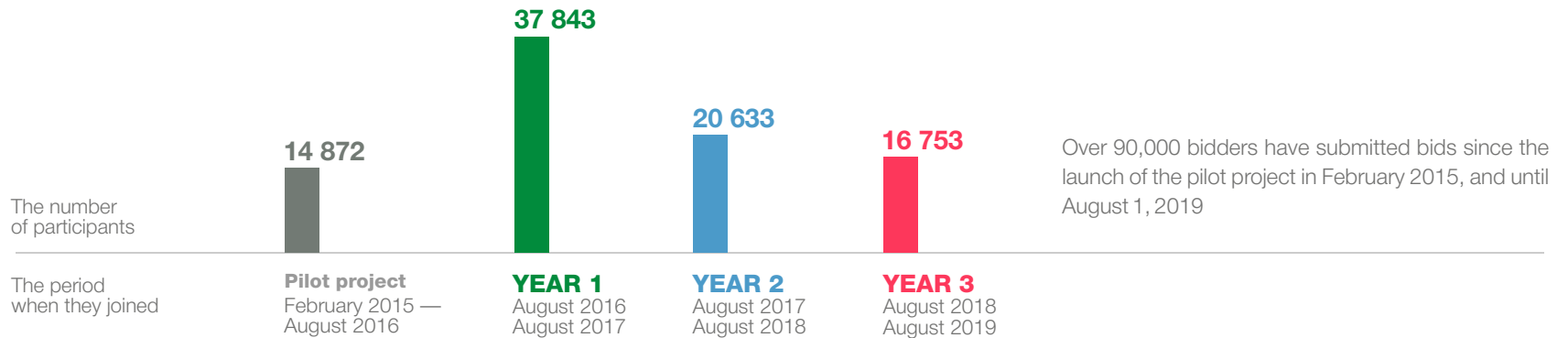
The only company with a stable figure of over 1000 customers during every year of ProZorro's work was TOV Ukrainskyi Papir (1977 customers in the first year, 1212 in the second year and 1037 — in the third year).

⁸ What is meant is the median value

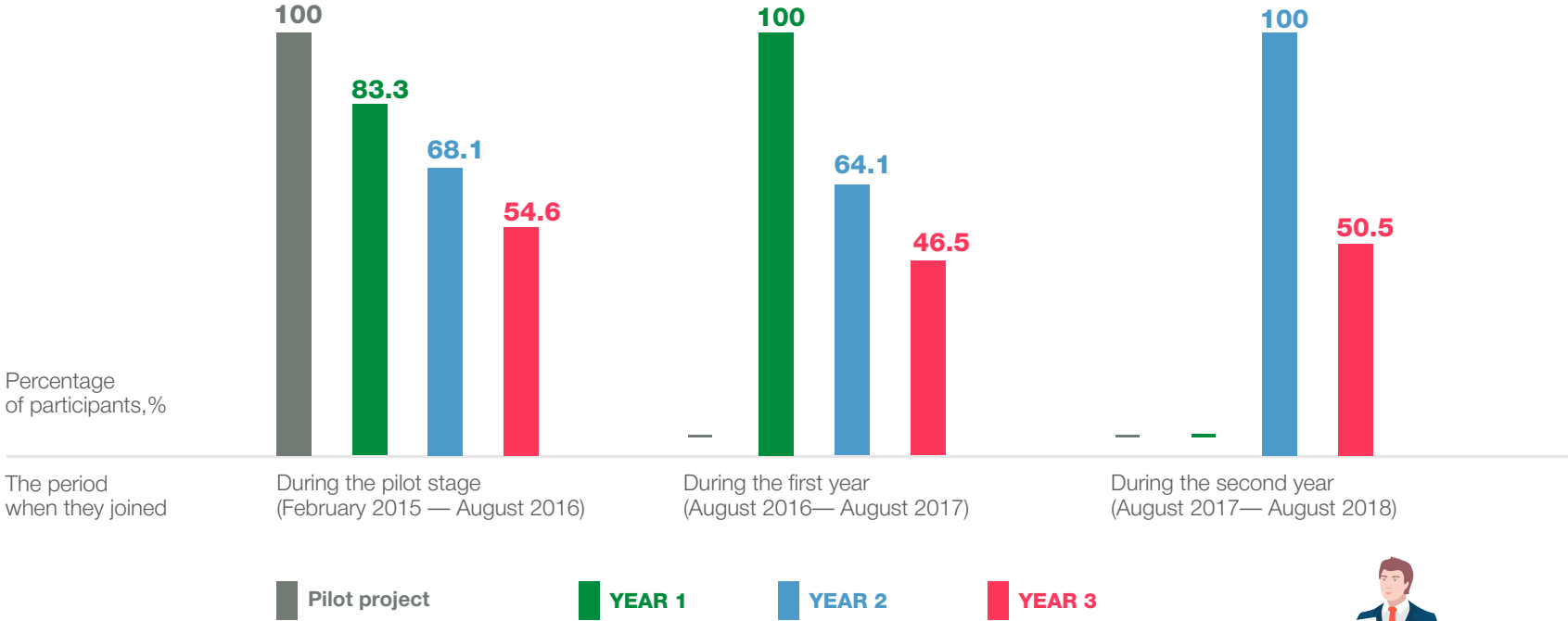
Participants having worked with the largest number of procuring entities



The number of new participants who have joined the system and bid for competitive procedures



The number of participants who continued to bid in subsequent periods

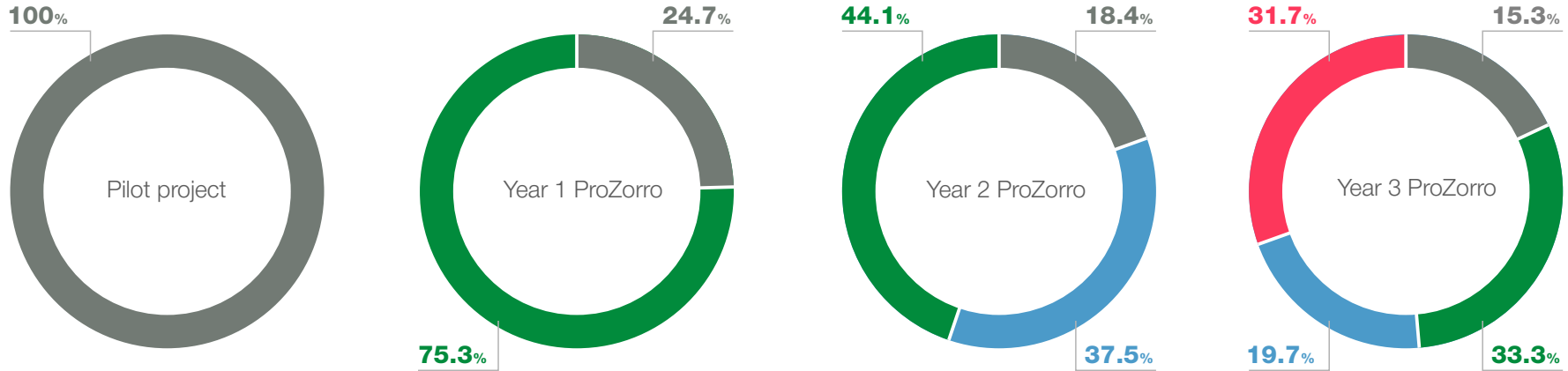


Over time, some participants ceased to participate in competitive procurement. During the third year of ProZorro's work bids were made by the following percentage of participants:

- 54.6% of pilot project participants
- 46.5% of participants who joined in Year 1
- 50.5% of participants who joined in Year 1



Who submitted bids



Participants since pilot

February 2015 - August 2016

Participants since Year 1

August 2016 - August 2017

Participants since Year 2

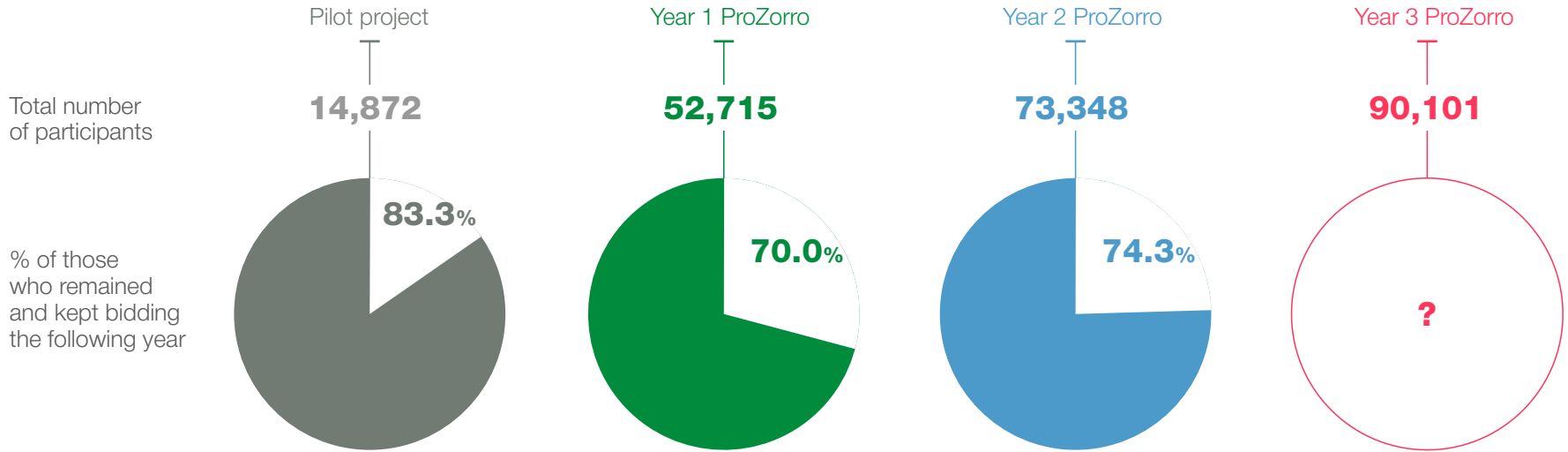
August 2017 - August 2018

Participants since Year 3

August 2018 - August 2019



The percentage of bidders who continued to bid next year

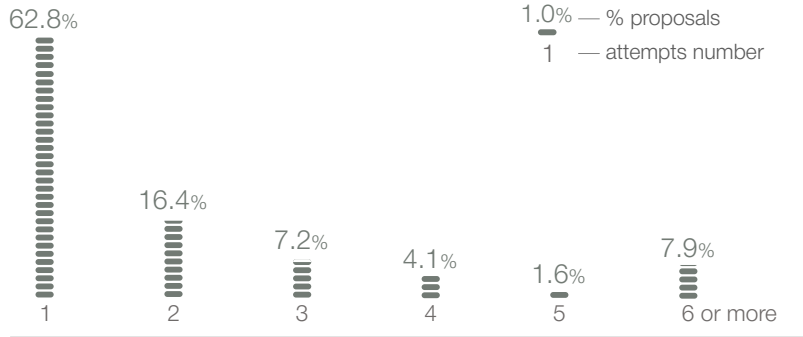


Since ProZorro was launched, 41% of participants (out of a total of 90,000) stopped bidding. However, taking into consideration the increase of new participants each year, the percentage of those who remain in the system for the following year is quite high.

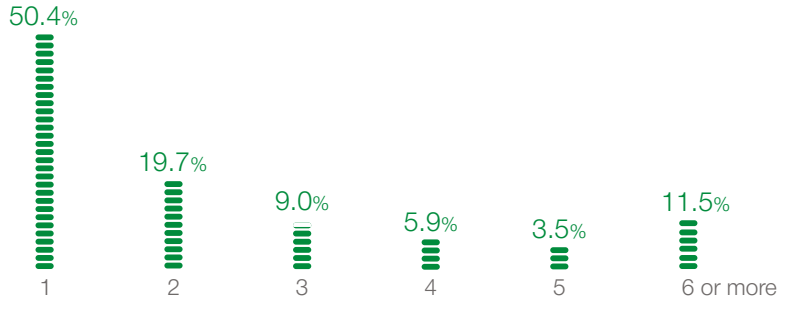


The number of bids submitted by new participants before they ceased to bid

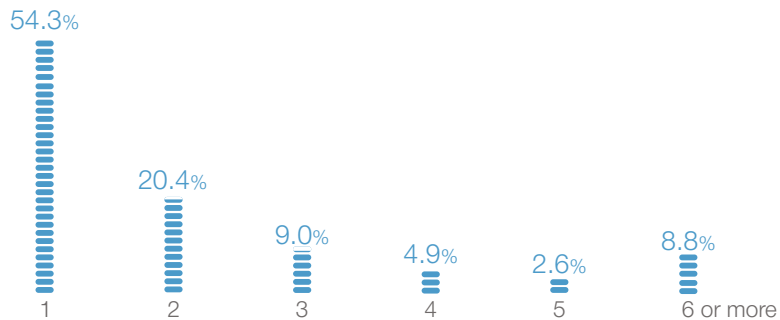
PILOT PROJECT



YEAR 1

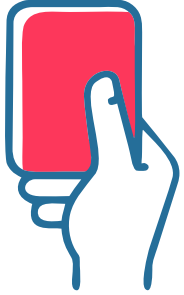


YEAR 2



The first 5 bids are critical, as 90% of bidders who have ceased to bid have submitted bids up to 5 times and some of them left ProZorro immediately after 1-2 unsuccessful attempts. As a result, we have to pay more attention to "new" participants to encourage them to remain in the system.

There is not enough information to understand why these bidders have decided to cease their participation in competitive procurement. However, it can be partially explained, e.g. some participants started to work with non-competitive procurement, the decision of others could be influenced by disqualification or unwillingness to prepare a large number of documents, someone may have made this decision when confronted with competitors' price dumping or decided that it was unprofitable.



The number of disqualifications

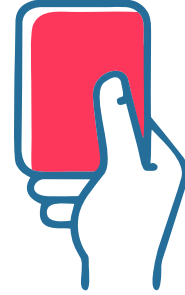
YEAR 1 118,227
August 2016 - August 2017



YEAR 2 125,626
August 2017 - August 2018



YEAR 3 114,533
August 2018 - August 2019



The number of lots with disqualifications

YEAR 1 73,480 | 16.0%
August 2016 - August 2017



YEAR 2 78,585 | 16.5%
August 2017 - August 2018

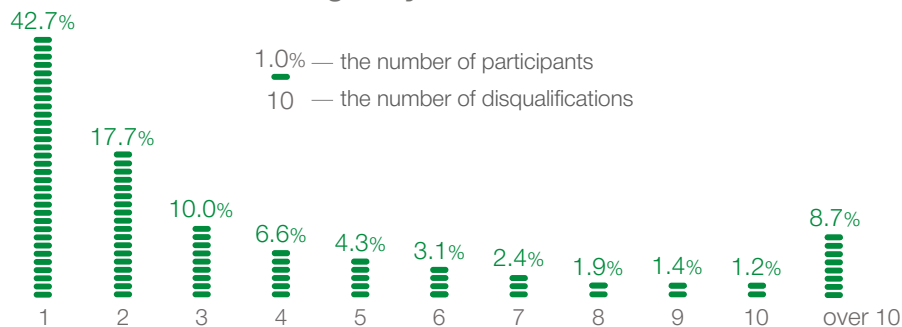


YEAR 3 70,956 | 16.7%
August 2018 - August 2019



The number of bidder disqualifications during the year

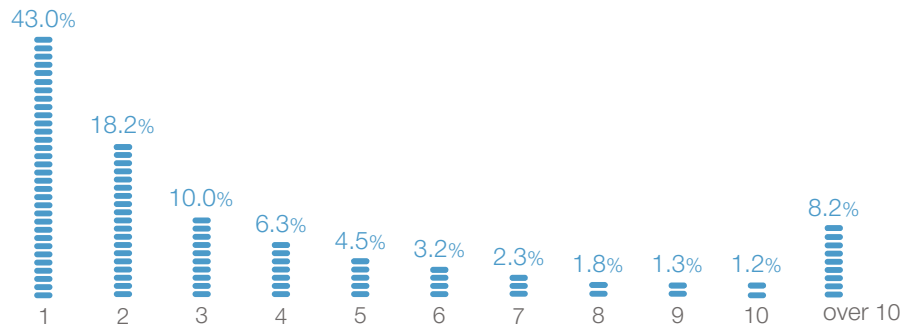
1.0% — the number of participants
10 — the number of disqualifications



23 832

participants were disqualified at least once (47.4%)

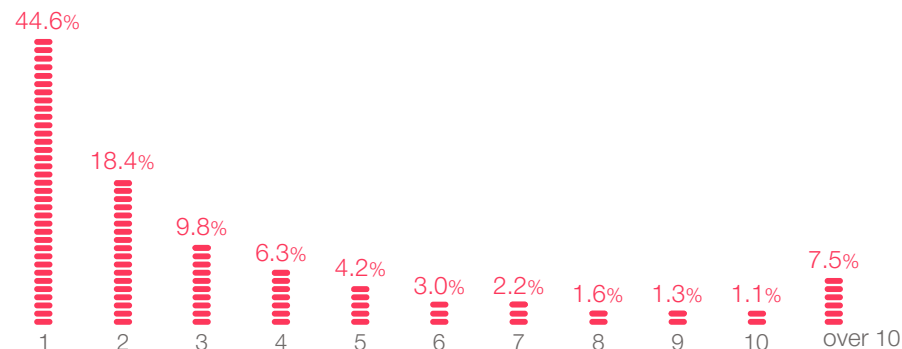
YEAR 1



26 427

participants were disqualified at least once (50%)

YEAR 2



25 684

participants were disqualified at least once (48.9%)

YEAR 3

On average, every year nearly half the bidders have been disqualified, with half of them being disqualified only once. The median disqualification rate has not changed over the years; it constitutes 2 disqualifications.

TOV Ukrainnyi Papir has the highest number of disqualifications—1,249 times, or 12% of the tenders for which this participant has bid.

TOV BADM-B has the highest number of disqualifications—783 times, or almost 10% of the tenders for which this participant has bid.

TOV KompaCom has the highest number of disqualifications—840 times, or 31% of the tenders for which this participant has bid.

CHAPTER 2

SURVEY: SATISFACTION WITH THE PROZORRO SYSTEM

With the launch of the ProZorro pilot project in 2015, the first entrepreneurs joined the system. According to the survey, 92% of respondents who joined had already had experience with public procurement. The relatively small number of “new” companies can be explained by the lack of confidence in the newly created system and the subsequent unwillingness to work with it.

About half the respondents in 2019 are those who have been participating in competitive procurement since the system pilot in 2015-2016. They decided to continue bidding as they have considerable experience and can share their opinion on whether the system has changed and what problems it has.



RESPONDENTS TO THE SURVEY

73.3 % participated in public procurement before the creation of the ProZorro system

70.0 % participate in tenders once a month or more

22.4 % started to submit their proposals in ProZorro since 2015

57.1% — since 2016 and 2017

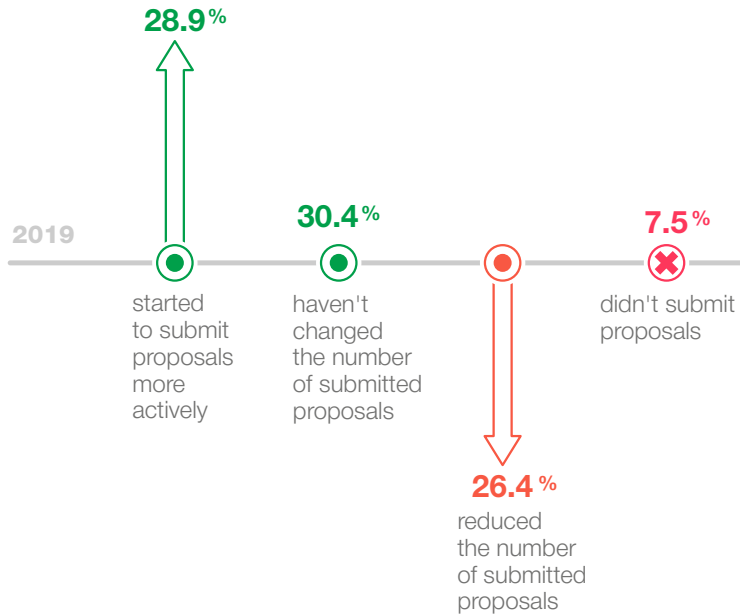
26.0 % participated in fewer than 10 tenders during the entire period of their work in the system

32.2% in more than 70 tenders

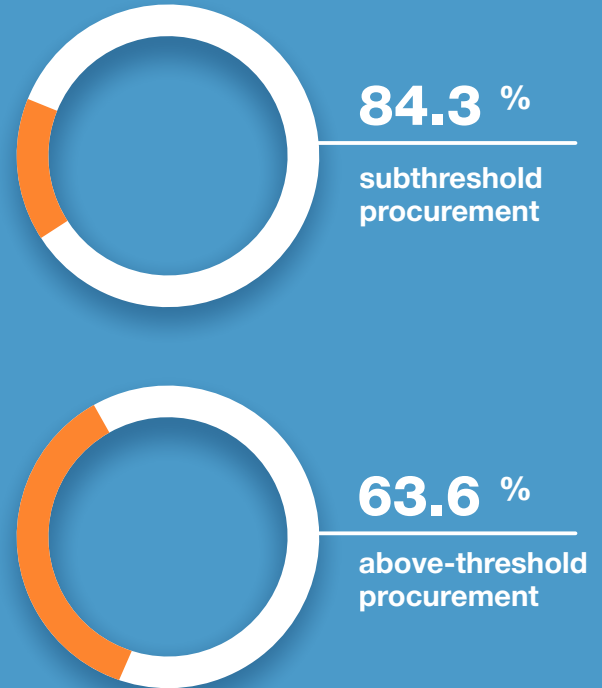


In 2019, about 2/3 of the respondents either increased their activity level on ProZorro or it remained unchanged.

Only 7% of the respondents stopped submitting proposals. The study may have not covered participants who are dissatisfied with the system and do not work in ProZorro, which means that they did not participate in the survey. At the same time, this distribution is important to understand what different categories of participants think about problems in the ProZorro system and why they think so. More details are provided in the following sections of the study.



PROCUREMENT TYPES⁹

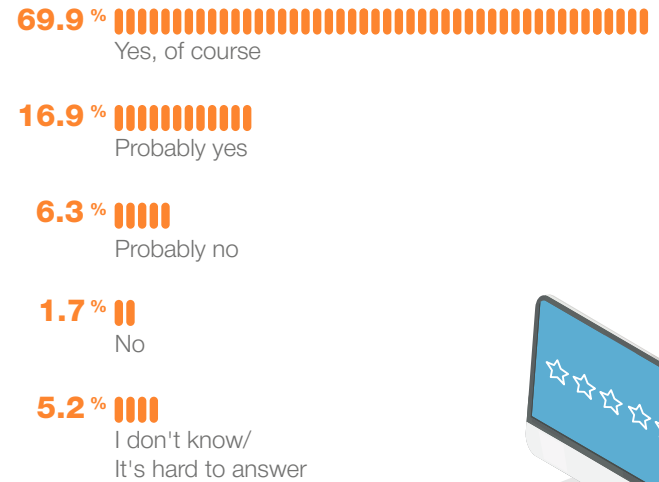


⁹ Respondents could choose several answers at once

54% of the respondents were mostly satisfied with the ProZorro system and 70% of the respondents indicated their intention to continue participation in public procurement. 17% still hesitate but are rather likely to continue working in ProZorro.



Do you plan to participate in ProZorro public procurement in the future?



HOW SATISFIED ARE YOU OVERALL WITH THE ELECTRONIC PROCUREMENT SYSTEM PROZORRO?

VERY SATISFIED

.....

16.4 % ★★★★★

37.7 % ★★★★

25.5 % ★★★

9.7 % ★★

10.7 % ★

.....

NOT SATISFIED AT ALL

Those participants who bid more often and have been working with ProZorro for a long time tend to be more satisfied with the system. Perhaps, it is due to the fact that such participants have already worked with the system, have won competitive tenders, understand how it works and may be less likely to have a pessimistic outlook.

According to the survey, the more satisfied the bidder is, the more actively they will bid in 2019 compared to previous years. Conversely, a less satisfied bidder decreases his bidding activity. The least satisfied bidders stopped working with the system.

Interestingly, those who were not involved in public procurement before ProZorro was created are more satisfied with the system. At the same time, among those who already work in ProZorro, those who joined during the pilot project (February 2015 – July 2016) show higher levels of satisfaction.

The type of procurement in which the respondent has participated as well as the field of procurement have almost no influence on the satisfaction levels. Bidders are less satisfied in such sectors as "petroleum products," "construction work," and "electrical goods," and a little bit more satisfied in such fields as "furniture" and "agricultural products."

Various aspects of work were rated during the survey. The participants are satisfied the most with the interaction with e-commerce platforms and the process of proposal submission. However, only a fifth of respondents are fully satisfied with the available options of interaction with the procuring entity through the electronic system.

INTERACTION WITH THE E-COMMERCE PLATFORM

VERY SATISFIED



NOT SATISFIED AT ALL

TENDER SEARCH CONVENIENCE

VERY SATISFIED



NOT SATISFIED AT ALL

SUBMISSION OF PROPOSALS

VERY SATISFIED



NOT SATISFIED AT ALL

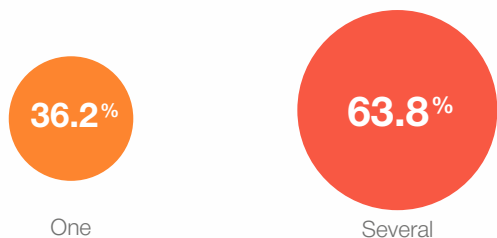
ABILITY TO INTERACT WITH THE PROCURING ENTITY VIA ELECTRONIC SYSTEM

VERY SATISFIED



NOT SATISFIED AT ALL

How many e-platforms are you registered on?

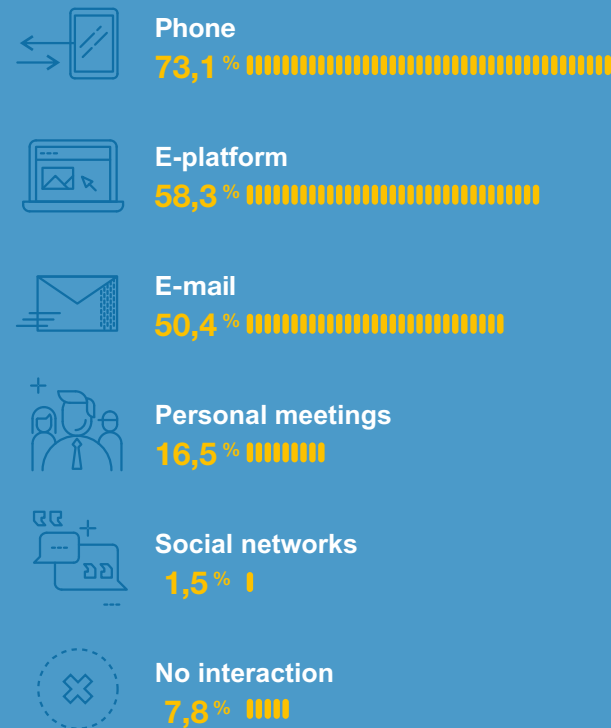


Almost 60% of the respondents interact with the procuring entities through the e-platform, and only 23% of them are completely satisfied with this interaction. Approximately half the respondents do it via email and almost three out of four prefer making phone calls.

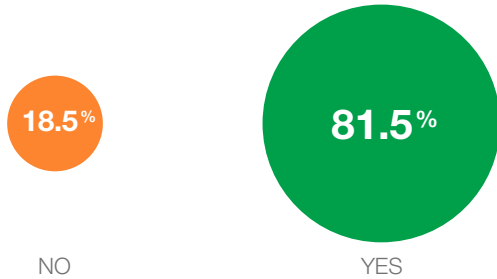
83% of participants ask clarifying questions. However, only a quarter of businesses are satisfied with the responses they get, while 72% have been rather dissatisfied (1 to 3 stars).



HOW DO YOU INTERACT WITH THE CUSTOMER?



Do you ask the customer clarifying questions through the electronic procurement system?



How satisfied are you with procuring entities' answers through the ProZorro system (to you personally and to other members)?



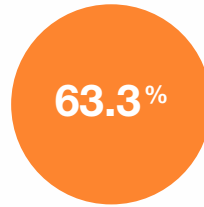
Why are the participants dissatisfied with their communication with procuring entities?

Participants often mention that procuring entities provide formal answers and refer to law articles or provisions of the bidding documents without explaining the details, while the issue remains unresolved. A significant number of respondents use terms such as “non-committal” or “matter-of-fact” to describe the responses and also point out the lack of competence of those who answer their questions. On the other hand, some survey participants noted that they were satisfied with the procuring entities' answers.

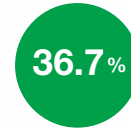
Survey Participants' Comments

- Sometimes the answer is not quite informative. It's a vague response or just a quote from the law.
- Most answers are formally provided. Procuring entities don't seem to be interested in providing detailed information.
- Procuring entities often simply copy the text from the tender documents instead of explaining, justifying the request to which the question refers. They also hardly ever give a direct and clear answer YES or NO.
- They respond without a real answer, knowing that the participant will almost never pay five or fifteen thousand hryvnias to file a complaint.
- Very often, the answer is provided by somebody not quite competent, who rejects the proposal without understanding the essence of the issue.
- There are many formal answers, the procuring entity is not focused on the object of procurement.
- Almost everyone answers the questions clearly.
- I only occasionally find the answers to be not substantiated enough!

Have there been cases when you failed to upload all the bidding documents in a timely manner due to technical limitations or long uploading procedure?



NO



YES




Select the main problems you faced while bidding¹⁰





¹⁰ Each respondent could choose up to three problems


Among other problems it was also mentioned that the tender documentation could be created to fit a pre-determined winner. In addition, the respondents pointed to problems with obtaining documentary evidence and mentioned the specific nature of procurement in certain spheres.


Survey Participants' Comments


-  It is almost impossible to engage when a procuring entity holds a tender clearly designed for a particular company.

-  When you look at the tender documentation, you can tell that the procuring entity has already chosen the winner.

-  It is still not clear for both procuring entities and participants what the "equivalent" means.

-  Some requirements for certain documents are purposely veiled and hidden to discard unfavorable bidders from the auction.

-  For further manipulation and rejection of unfavorable contractors, procuring entities include hidden requirements, unclear to the bidders, in the tender documentation.

-  The specific nature of procurement of training and consulting services. The customer wants to work only with a specific consultant, and I understand him perfectly. In general, the system is much better suited to procurement of products, where it is easy to identify objective requirements.

Which discriminatory requirements do you think you see the most often?

Technical requirements
to the procurement item

42.9% 

Documented experience
in executing similar contracts

29.4% 

Availability of the necessary
equipment

19.0% 

Availability of staff with relevant
qualifications

18.0% 



Answering the questions, respondents often mention discriminatory requirements related to the provision of certain documents.

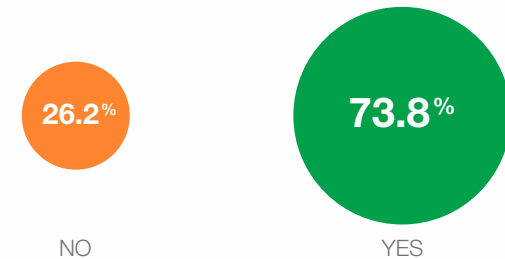
There are also cases when procuring entities require 15 years of experience or warehouses located in a particular area.

Survey Participants' Comments

- Delivery of goods within 8 hours (makes it impossible for enterprises from other regions) and other tricks of procuring entities.
- Demanding a specific brand, not the characteristics of the product.
- Mandatory documents listed in unexpected chapters of the tender documentation (terms of reference, draft contract)
- The requirement to submit a document from the procuring entity itself confirming that the participant is fit for the task. Absurd yet true.
- Too many confirmations for all the requirements. Sometimes you need to prepare over 20 documents to prove that you have the required equipment.
- Warranty sheet from the manufacturer. Samples are to be delivered only by suppliers residing in this region, or personally by a representative of the enterprise.
- They only allow you to have your own equipment, disregarding rentals or similar transactions.
- Availability of affiliates in a specific city, work experience of more than 15 years, unjustified financial requirements.
- A requirement stipulating that the company has to have worked for over 3 years, which disqualifies all new businesses. The procuring entity is not interested in the fact that the employees of this new company have over 15 years of experience.
- Unreasonable personal data requirements. Procuring entities do not understand the rules prescribed by the law on personal data protection.

As it turned out, cases where procuring entities require participants to provide their personal information are not unique. Almost three in four participants encountered this situation. However, personal data protection law stipulates that individuals have the right to protect their personal data from unauthorized processing¹¹ and must give their consent before third parties process it. If the procuring entity requires a copy of the passport or individual tax code, the participants may ask the procuring entity to exclude them from the list of required documents.

Have procuring entities ever required that you provide personal information (a copy of your passport, individual tax code, etc.) as part of your tender proposal?



Participants can modify the agreement if they believe that the tender documents contain conditions that restrict competition. However, more than one in three bidders decide not to bid instead of going through with modifications. One in five participants (22%) file a complaint with the AMCU (Anti-Monopoly Committee of Ukraine). 26% of participants who seek justice but do not wish to appeal such violations leave feedback on the DOZORRO portal.

¹¹ Відповідно до частини другої статті 8 Закону України «Про захист персональних даних»

How did you try to protect yourself from discriminatory conditions in tender documentation?

I left feedback on DOZORRO

26.0 % ██████████

I lodged a complaint to the AMCU

21.7 % ██████████

I appealed to monitoring and law enforcement bodies

9.7 % ██████

I didn't try to go against the discriminatory conditions

17.5 % ██████████

I did not participate in the tender

35.2 % ██

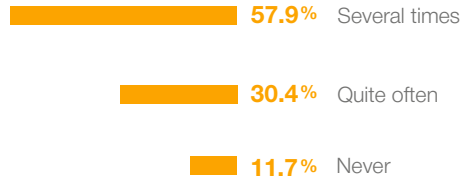
Respondents also took legal actions, wrote claims in ProZorro, appealed to the governing bodies of the procuring entity or to the Ministry.



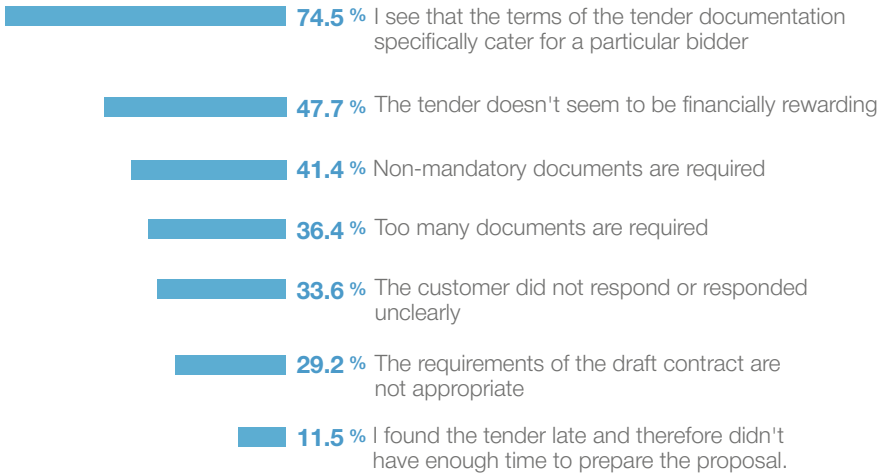
Survey Participants' Comments

- 💬 I contacted procuring entities and got the answer: "If you don't like something, don't bid."
- 💬 We wrote demands to procuring entities.
- 💬 We appealed and won the lawsuit.
- 💬 There were no changes even after the procuring entity was approached by CSOs.
- 💬 All the indicated methods of protection just confirm that it isn't worth the effort.
- 💬 We went to the Department of Economic Protection in Kyiv, but they were dissolved. All the other options are either too expensive or ineffective.
- 💬 I wrote complaints to the Ministry.
- 💬 We tried to challenge the actions with the governing bodies of the procuring entity.
- 💬 I stopped participating after several complaints which remained unanswered.

How often have you decided to stop participation while preparing for it?



Name the main reasons why you decided not to take part even though you had already started preparation?¹²



¹² The respondents were able to choose several answers at once









Interestingly, the respondents pointed to tender documentation created for a particular participant regardless of their specific field.

Active bidders are more likely to mention cases when the tender documentation was created for a particular participant. At the same time, what is curious is that this experience has little to no impact on the participant's decision to continue work with competitive procurement in general.

A tender designed for a pre-selected winner has a minor impact on the satisfaction with the system. Most of those who mentioned this problem rated their satisfaction with ProZorro at 3-4 points out of 5, which is quite a high score.

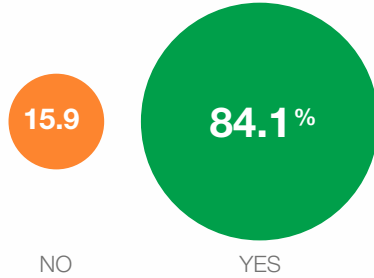
Answering the questions, the respondents indicated that they refused to submit the proposal due to market fluctuations, the customer making changes, or refusing to make changes, to the tender documentation, and lack of time.

Survey Participants' Comments

-  Prices changed while I was preparing documents.
-  I do not have time to / cannot obtain the required document.
-  Bank guarantee fee is too high.
-  We refuse to participate] when tender security is required, but it seems like we are going to refuse because of a lot of unnecessary required documents, too.
-  The customer suddenly makes changes on the last day of the submission period.
-  Bad reputation of the procuring entity. Either numerous sudden cancellations of tenders, or the customer does not pay for the delivered products in a timely manner.
-  Even if the procuring answered the question / request / complaint, no changes were made to the tender documentation.
-  Payment delayed significantly.

Most respondents (84%) were disqualified in ProZorro at least 8 times. 85% of them said that the explanation of the reason was unsatisfactory.

Have your tender proposals ever been disqualified?



Please assess whether the explanation of the disqualification was reasonable.¹³

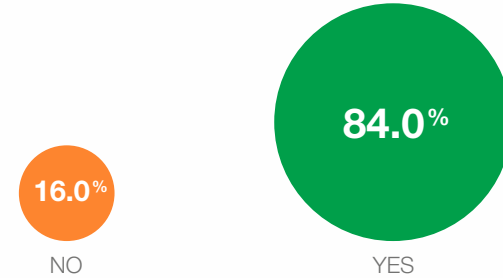
VERY REASONABLE



TOTALLY UNREASONABLE



Do you think that it is necessary to increase the responsibility and punishment of procuring entities for violations in the field of public procurement?



One of the ways for a participant to defend their rights is to file a complaint with the AMCU. Even though only one in three respondents have done it, they rated it as effective (4 or 5 points).

Explaining their decision not to file a complaint, respondents often point to high appeal fees and the fact that the procuring entities do not necessarily comply with the AMCU's decision.

¹³ This question was answered by those participants who have had experience with disqualifications

How did you try to protect your rights after your tender proposal was disqualified?

I lodged a complaint to the AMCU
30.6% ██████████

I left feedback on DOZORRO
27.7% ██████████

I appealed to monitoring and law enforcement bodies
11.7% ████████

I didn't try to challenge the disqualification
36.6% ██████████

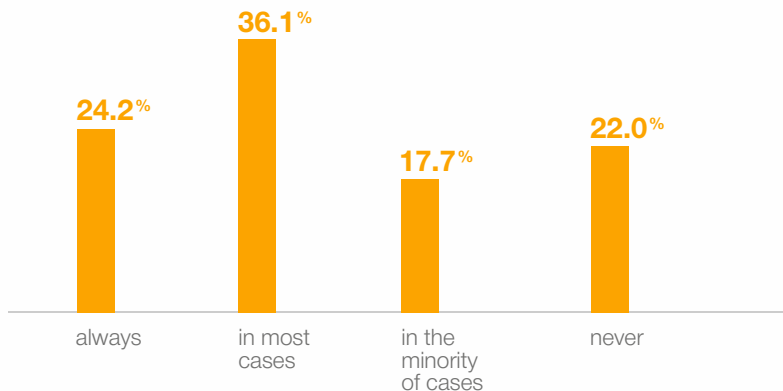


Answering the questions, the respondents indicated that they did not try to challenge the disqualification, or they went to court or tried to speak with the customer.

Survey Participants' Comments

- Trading equipment, it is very dangerous to argue with the procuring, because then they can do anything to keep the equipment constantly broken.
- You can't argue when the procuring entity is a tax agency because they can "curse you."
- We tried to challenge the disqualification by filing complaints with the procuring entity, because it is unreasonable to pay the AMCU constantly and just wait for an answer ad infinitum.
- We contacted the procuring entity and tried to convince them. Sometimes it helped :).
- If the procuring entity is determined to work with another trainer or consultant, there is no point in convincing them.
- We requested the procuring entity to provide additional information regarding the decision and have provided our own objections to the response received.
- I didn't even try because it was the mistake of the bidding organizer. We all make mistakes!
- We went to court

In your experience, how often have procuring entities implemented the decisions of the AMCU Board?



How satisfied are you with the work of the AMCU Complaint Review Board?

VERY SATISFIED

10.7 % ★★★★★

18.0 % ★★★★

32.1 % ★★★

12.4 % ★★

26.9 % ★

NOT SATISFIED AT ALL



Explaining their answers to questions about the AMCU, participants point out the following: in case if the complainant was right, funds are not returned; the AMCU can make different decisions on similar issues; the schedule is inconvenient for complainants, especially for those who live outside Kyiv. In addition, the respondents mentioned that the AMCU does not always try to understand the technical aspects and details; the customer can avoid compliance with the decision by cancelling the tender and announcing one, etc.

Survey Participants' Comments

Even after the decision of the AMCU in our favor, the customer hasn't been punished in any way (for collusion with another participant) and had the opportunity to cancel the bid and hold it again under more discriminatory conditions.

It appears that there is no common position under the same terms and conditions; in one case a complaint is satisfied, in the other one, it is rejected. It is a quasi-judicial institution with no clear rules; for instance, criteria for satisfying the complaints are not publicly available. We don't know what to expect, we just rely on practical experience of complaints on Prozorro. We need to have the conditions for satisfying and rejecting complaints clearly established.

Sometimes complaints are rejected through purely formal errors (for example, payment for the complaint came from an individual and the participant is a TOV). Also, in some cases when discriminatory requirements in technical characteristics are debatable, the Board does not try to understand the tech aspects and details.

By the way, the expensive fee for lodging a complaint is not returned in any case.

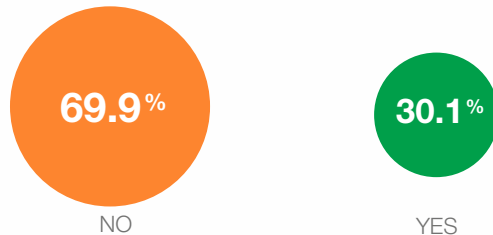
If you have an appointment at 3 p.m., you will be lucky if you can leave at 7 p.m., after hours of waiting in line.

The AMCU does not work with subthreshold procurement. It is costly to apply, the complaint fee is not returned, even if you are right. Decisions of the AMCU are not always executed (the procuring entity cancels the tender and starts a new one)

41% of respondents involved in subthreshold procurement believe that the AMCU decisions are disregarded more frequently than followed. One in three participants of subthreshold procurement share this opinion. Meanwhile, it should be noted that the AMCU does not consider complaints concerning violations in subthreshold procurement.

The participants who engage in public procurement of goods are more likely to say that the AMCU decisions are followed through. Those who rarely participate in bidding mostly believe that the decisions of the AMCU are either “mostly not implemented” or “never implemented.”








Have procuring entities ever refused to sign the contract with you after your victory?



What was the reason for refusing to sign the agreement?

Participants point out that procuring entities justify the refusal to sign the agreement by absence of rubber stamps or documents which were not required by the bidding documents and by other formal reasons. They also often say that there is no more need for the product or that they lack funding.

Survey Participants' Comments

-  The government funding is not available. Let's put off the deal until better times.
-  In 2016, a procuring entity simply refused saying they had found another supplier with a better price.
-  The simplest thing: it was announced that the procuring entity had cancelled the tender. A week later, however, a new tender was held again with the requirements prescribed for a particular supplier. Another way was refusal due to “the absence of documents” which were not originally required.
-  There is a lot of formal nitpicking, for example, there is a black and white copy of a performance review on the quality of work or a copy of performance review with the original stamp, but the document is not on company letterhead.
-  One interesting case was when the customer signed the agreement, and we began to do the work. Our employees conducted an on-site visit, and then the procuring entity published a report about the cancellation of the procurement on the portal, although we had already signed the agreement and we had already suffered some financial losses after the services had commenced! A signed agreement was never sent back to us.
-  The director is on vacation. There is no one to sign the agreement. The period of procurement and conclusion of the contract has meanwhile passed.
-  We were explained that there was no point in changing the supplier.

Only 11% of respondents had not encountered price dumping in procurement. Nearly a quarter of those polled said they had engaged in dumping themselves.

Have you encountered dumping on behalf of competitors during the tender?

11.2% 
No

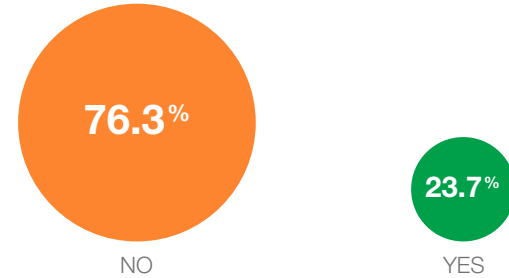
25.5% 
Yes, but rarely (in one in ten tenders or less often)

25.0% 
Yes, sometimes (in one in ten tenders)

27.2% 
Yes, often (in half the tenders)

11.0% 
Yes, always (in every tender)

Have you engaged in dumping during the bidding?



The more often a participant makes bids, the more likely they are to encounter dumping, and the more often they claim to use dumping themselves. This applies particularly to experienced players in the procurement market, those who have been working with ProZorro since the pilot project.

Most participants have pointed out dumping in subthreshold procurement and procurement of goods, especially in the transport sector.

Dumping done by the respondent himself or herself is mostly is recognized in the field of service provision, mainly in “repair and technical support service.”

CHAPTER 3

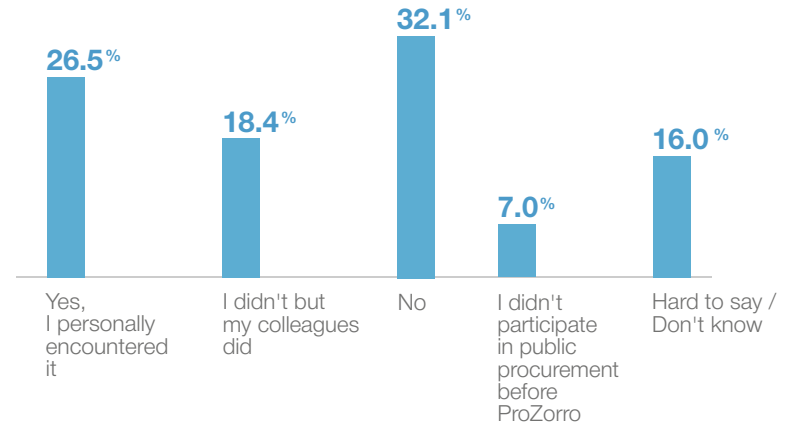
CORRUPTION IN PROZORRO: BUSINESS PERCEPTION



Comparing the periods before and after ProZorro was launched, the percentage of those who have experienced procurement corruption in person or heard of it from their colleagues has hardly changed and constitutes approximately 45%. At the same time, in the period after the launch of ProZorro, the share of those who claim they have never encountered corruption in public procurement is about 10% more than of those who say they have: 41% vs. 32%.

Assessing the impact of corruption, 34% of respondents called it the most serious problem in ProZorro, another 20% said it was "quite serious." At the same time, 43% of respondents believe that after ProZorro was launched, there has been less corruption in public procurement, while 12% believe the opposite to be true.

Did you or your colleagues ever personally face corruption in public procurement (before ProZorrolaunch) i.e. were you forced to pay a bribe or use nepotism?



Have you or your colleagues ever personally encountered corruption in public procurement (after ProZorro was launched) i.e. have you been forced to pay a bribe or use nepotism?

24.2% 
Yes, I have personally encountered it

19.0% 
I haven't but my colleagues have

40.7% 
No

16.0% 
It is hard to say/I don't know

How acute is the problem of corruption (bribery) in ProZorro compared to other problems?
34.2%

34.2% 
Corruption is the most serious problem in the work with the system

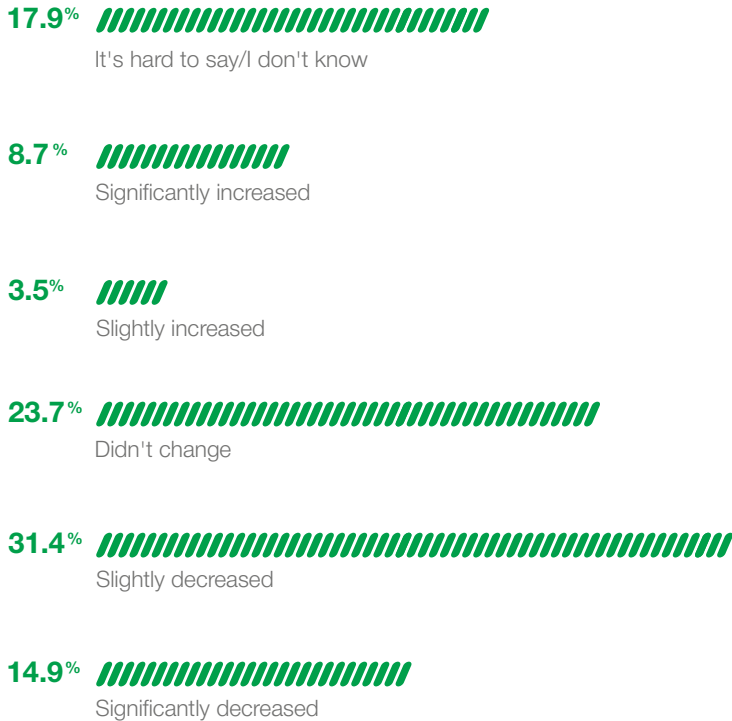
20.2% 
The problem of corruption is quite serious, but there are more pressing issues

14.0% 
There is a problem of corruption, however, it is not very serious

5.5% 
There is almost no corruption

26.0% 
It is hard to say/I don't know

Assessing the reform success, some experts say that the introduction of the ProZorro electronic system has reduced the level of corruption in public procurement. Others believe that this system has only made corruption in the field of public procurement more transparent, while its levels even increased. What is your opinion on the level of corruption in public procurement after the launch of ProZorro?



Active¹⁴ bidders are more likely to say that they have encountered corruption. This makes sense, given more frequent participation means you are more likely to see any corruption that occurs. At the same time, this group of respondents tends to say that the corruption level has decreased in general.

There is some correlation between a decrease in the participants' activity in 2019 and their view of corruption as a serious problem. Those who have had less activity in 2019 tend to consider corruption a serious problem more (43%) than all respondents in general (34%).

At the same time, those who believe that the level of corruption has "significantly decreased" or "slightly decreased" are more likely to either increase their activity in ProZorro or retain it at the same level.

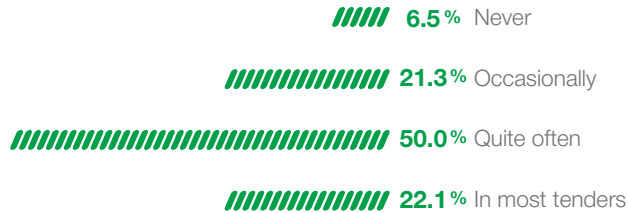
There are no significant correlations between the perception of corruption as a serious problem and the areas in which the participants work.



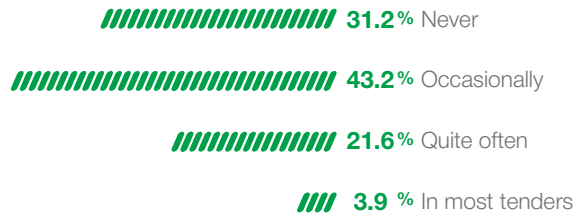
¹⁴ Those who participate several times a month

The respondents were asked to assess how often they encountered certain kinds of corruption in the bidding. Half of the participants indicated that quite often the tender documentation was created for a certain supplier, and another third indicated the presence of "technical participants" and intentional overestimation of the expected value of the lot.

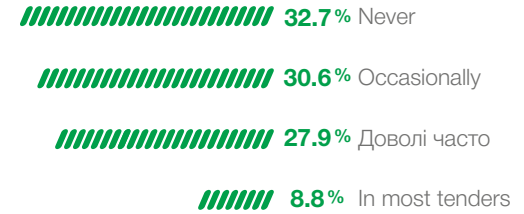
Had you ever had suspicions that the terms of the tender documentation were created for a certain supplier



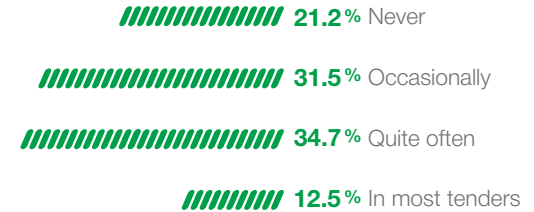
The list of procurement items included "rare" goods which are difficult to supply



There were suspicions of deliberate overestimation of the expected value of the procurement item, followed by the distribution of an "excess" amount of money between the customer and the supplier

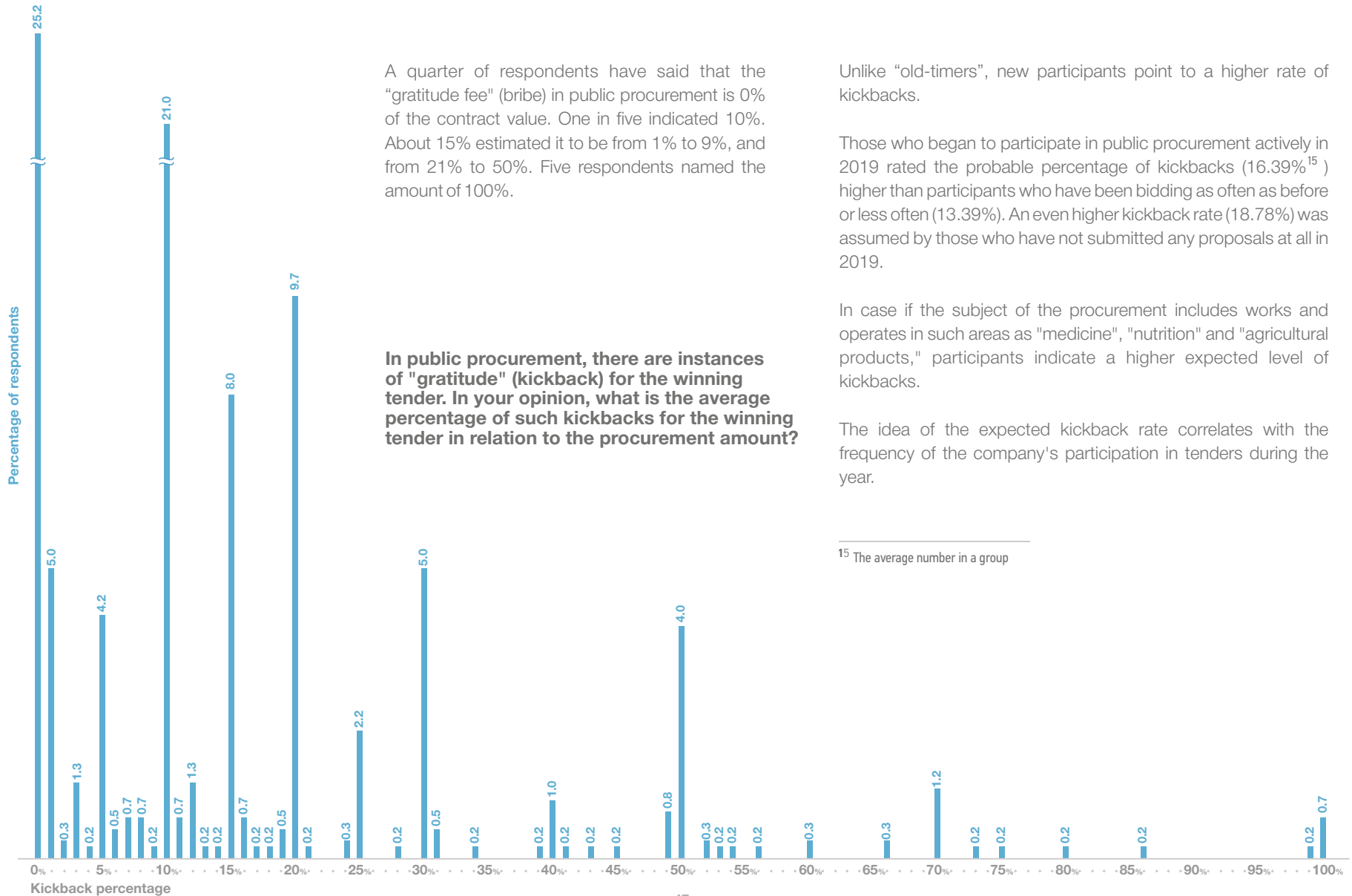


You have witnessed imitation of competition in procurement with the help of "technical participants"



The procuring entity received fewer goods than stipulated by the contract with bilateral agreement (false information in the handover statements)





A quarter of respondents have said that the "gratitude fee" (bribe) in public procurement is 0% of the contract value. One in five indicated 10%. About 15% estimated it to be from 1% to 9%, and from 21% to 50%. Five respondents named the amount of 100%.

In public procurement, there are instances of "gratitude" (kickback) for the winning tender. In your opinion, what is the average percentage of such kickbacks for the winning tender in relation to the procurement amount?

Unlike "old-timers", new participants point to a higher rate of kickbacks.

Those who began to participate in public procurement actively in 2019 rated the probable percentage of kickbacks (16.39%¹⁵) higher than participants who have been bidding as often as before or less often (13.39%). An even higher kickback rate (18.78%) was assumed by those who have not submitted any proposals at all in 2019.

In case if the subject of the procurement includes works and operates in such areas as "medicine", "nutrition" and "agricultural products," participants indicate a higher expected level of kickbacks.

The idea of the expected kickback rate correlates with the frequency of the company's participation in tenders during the year.

¹⁵ The average number in a group

CONCLUSIONS

ProZorro participants' activity

based on BI data

ProZorro data for the last year (August 2018–August 2019) showed that less than 30% of participants took part in only one tender per year and only ≈20% did it once a month or more often. Half the participants would make bids 2 to 10 times a year. In addition, approximately half the participants worked with only one procuring entity during the year.

About half the bidders were disqualified by a procuring entity each year. Notably, for most of them these are exceptions rather than systemic issues. Almost half of all disqualified participants had only one disqualification per year, another 18% were disqualified twice a year. An increasingly large number of entrepreneurs participate in procurement of UAH 200,000 and more every year. Besides, ≈50% of all bidders participate in tenders only within their area.

Over 90,000 bidders submitted bid proposals since the launch of the ProZorro pilot project and until August 1, 2019. Eventually, some participants ceased to participate in competitive bidding. During the third year of ProZorro's activity, about half of all bidders who have joined in the previous years have still submitted the bid proposals.

During the three-year period, the vast majority of new bidders, who have ceased participating in the first year of their work, left ProZorro immediately after one or two unsuccessful attempts. The first five bids can be considered critical, since 90% of bidders who have stopped engaging in competitive bidding have submitted their bid proposals up to 5 times inclusive. It is therefore necessary to pay more attention to "new" participants to encourage them to remain in the system.

What makes people want to continue working in ProZorro

based on survey results

87% of respondents said they would most likely continue to participate in competitive bidding in ProZorro. At the same time, only 54% rated their satisfaction with the system at the highest level, another 26% gave it three points out of five possible.

Analyzing the answers, DOZORRO analysts found that the intention to continue working in ProZorro was significantly affected by satisfaction with the system. It depends on:

- The feeling that the corruption level has decreased
- Justification of disqualifications
- AMCU board activity
- Interaction with the electronic platform
- Convenience of tender search
- The proposal submission process
- The options to interact with the procuring entity through the electronic system

Companies that are more satisfied and plan to continue to participate in procurement participate in tenders rather often (three or more times per month), have already participated in a large number of tender procedures (more than 70) and have been more active in bidding in 2019 than in previous years.

Those who declare their intention to stop working with ProZorro are united by high dissatisfaction with the system. They rated the system at 1.73 points on average and their satisfaction with it at 3.61 points.

If a company has little bidding participation experience (up to 10 tenders) and reduced its activity in 2019 compared to previous years, then it probably means that it is dissatisfied with ProZorro system and does not plan to participate in competitive procurement in the future.

Despite the problems that participants have encountered during the tender procedures (for example, dumping, requirements to submit unnecessary documents, groundless rejections of the offer, etc.), they are satisfied with ProZorro at 3.28 points on average. Meanwhile, those who stated that they had not encountered any of these problems rated ProZorro at 4.08 points. Therefore, the fewer participants come across the above-mentioned problems, the more satisfied they will be with the system.

Interestingly, neither the competitors' dumping, nor the respondents' own dumping has a significant effect on the satisfaction with the system.

Impact of disqualifications

based on survey results

The decision to continue taking part in bidding procedures is not affected by the fact of disqualifications.

However, it is affected by the justifiability of the disqualifications. If the business considers that the procuring entity has adequately substantiated the reason for the disqualification, it will be more satisfied with the system. At the same time, it is unlikely to increase their willingness to participate in bidding procedures. Still, if a business considers that the disqualification was explained unreasonably, it will negatively affect both their willingness to work in ProZorro and their satisfaction with the system.

Corruption and its impact on the decision to participate in bidding procedures

conclusions based on survey results

The decision to participate in the bidding procedures in the future is not directly influenced by the fact of corruption being present in the system (either encountered through personal experience or through the colleagues' experiences).

Nonetheless, intentions to continue working with ProZorro are affected by the relative perception of corruption as an important problem. Among those participants who are unwilling to participate in bidding in the future, most consider corruption an urgent issue. Conversely, those planning to work at ProZorro mostly acknowledge the existence of corruption but do not consider it the main problem.

The decision to continue cooperation with ProZorro is influenced by the participant's sense of whether corruption is increasing or decreasing. Those who plan to participate in bidding procedures again are more likely to believe that corruption is decreasing. Those who do not plan to work in the system hold the opposite belief.

Interestingly, after the public procurement reform, the share of those who have experienced corruption in procurement, personally (24%) or vicariously through colleagues (19%), has hardly changed. However, 9% more surveyed said they did not experience corruption after launching ProZorro project, compared to the period before that (41% and 32% respectively).

Asking about the possible size of a kickback in public procurement, a quarter of the surveyed indicated 0% of the contract amount. About half of them believe that kickbacks are between 1% and 20% (most responses averaged around 10%).

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