



# **How cities can become procurement champions:**

## **Guidance inspired by Mariupol, Ukraine**

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# Introduction

According to the Open Contracting Partnership's latest estimates, governments spend around US\$13 trillion annually on procurement [1]. At the national level, its value varies from 10-20% of GDP. Although the majority of procurement takes place at the national level, it accounts for a larger share of the total expenditure from local and municipal budgets.

Services procured at the municipal level are often more tangible to citizens than procurement purchases at the state or national level: the quality of schools, parks, and roads relates directly to residents' quality of life. This has been clear during the COVID-19 pandemic. A recent international survey found that 83% of respondents believe cities play a key role in preventing and responding to COVID-19 [2].

Procurement must strike a balance between openness, transparency, and integrity. It must be nuanced enough to source specialized items, while taking the cost and quality of goods, works, and services into consideration. This is particularly pertinent for elected officials who spearhead procurement reform, as satisfied or dissatisfied city residents have a precise understanding of whom to thank or curse, without waiting for the next local and mayoral elections. The key elements to a successful and efficient municipal procurement system are twofold: procurement staff (people) and effective business processes (management).

Ukraine offers a unique procurement case study. Having undergone both a revolution in 2013-14 and an ongoing war since 2014, successes and failures are felt and discussed with particular sensitivity. For this reason, the internationally recognized success of its public procurement reform and the launch of the Prozorro ecosystem [3] has become a source of national pride.

In Mariupol, a city 30 kilometers from the Eastern frontline of Ukraine, the reforms undertaken at the municipal level have the added importance of being an example of good governance during a period of marked difficulty. In just five years, the city has revolutionized its purchases and made them fully transparent, leading to remarkable results. From 2015 to 2020:

- The share of competitive purchases grew from 14% to 74%.
- The share of purchases that were publicly accessible grew from 4% to 100%.
- The number of unsuccessful purchases decreased by more than 65%.
- More than 11,000 entrepreneurs have taken part in the city's procurement process, 96% of whom are SMEs.
- In total, Mariupol has achieved cost savings of US\$40 million.

In this guide, we will explain how Mariupol achieved these results, and what other municipalities can learn from their example.

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# How to use this guide

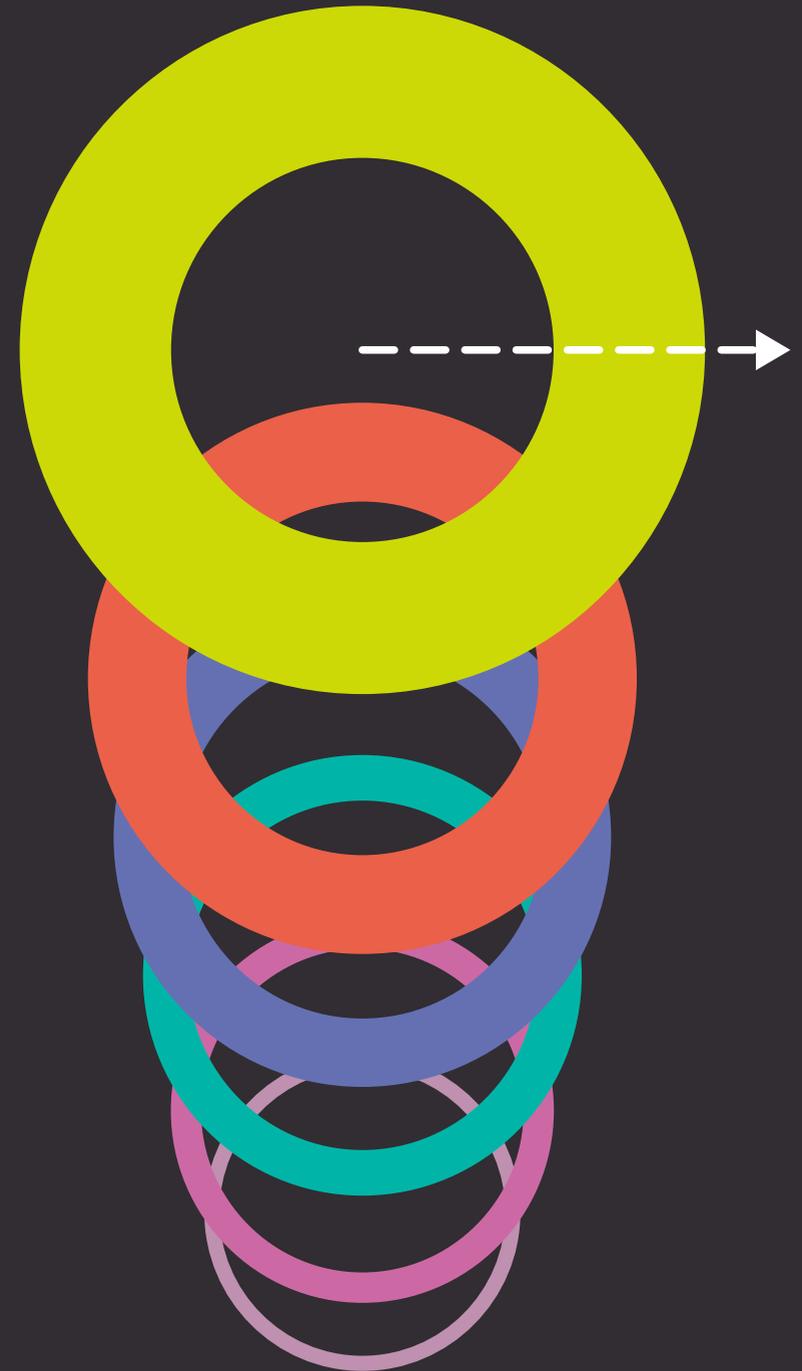
This guide is based on a comprehensive data analysis of Mariupol's public procurement reforms, and 10 qualitative interviews with procurement officers and other professionals who have been integral to the reform process.

This data is complemented by desk research from a number of other Ukrainian cities that have undertaken similar reforms. We also incorporate insights from the national reforms of 2015-16, which transformed Ukraine's traditional paper-based procurement into a fully open and digital system.

The report is structured into six sections. These offer a chronological overview of Mariupol's reform process from roadmap to implementation, focusing on key challenges and insights at each stage of this process. At the end of each section, we also offer insights and actionable recommendations for other municipal procurement reformers.

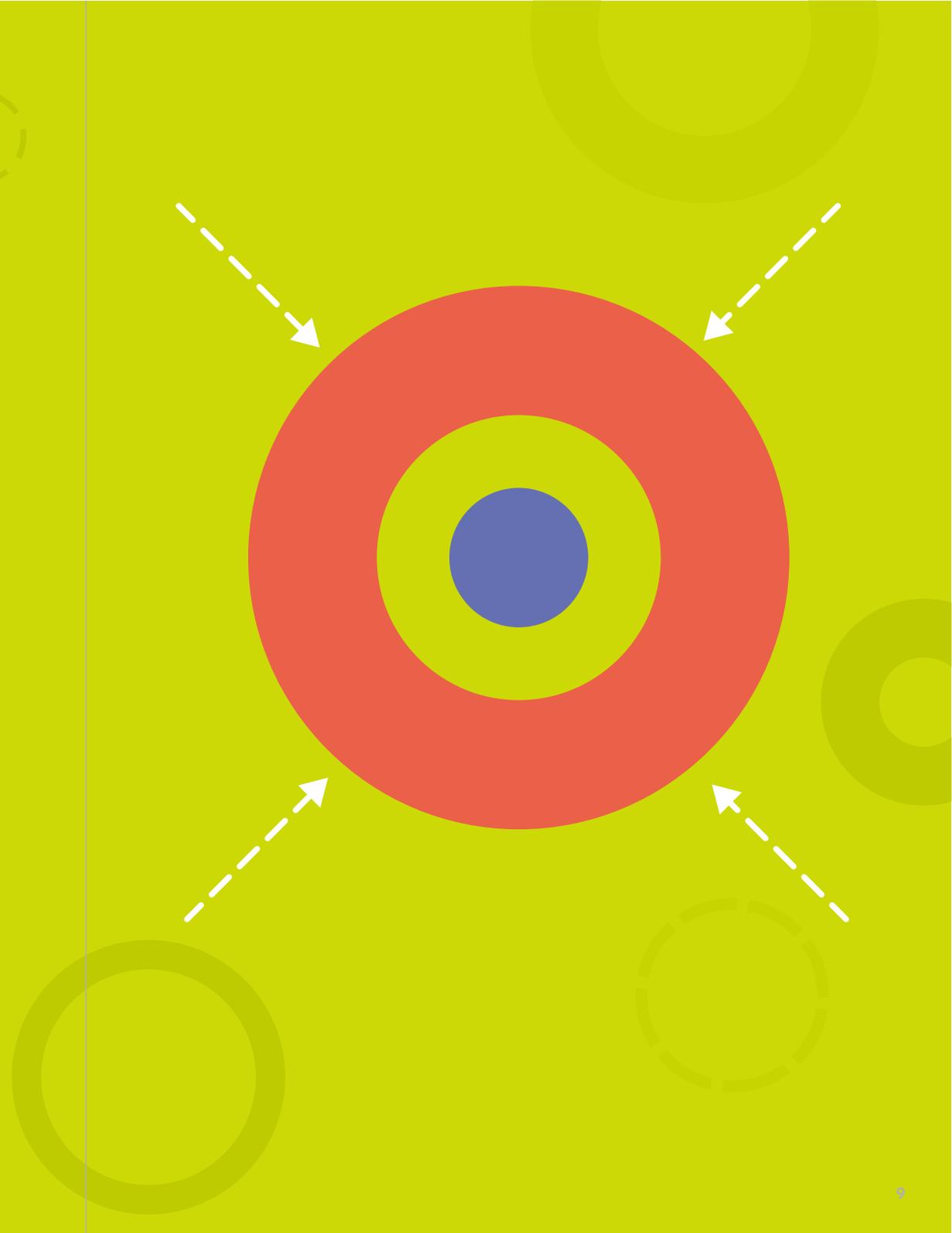
The goal of this guide is to illustrate how transparency can be combined with efficiency in procurement to benefit all major stakeholders of municipal procurement — citizens, businesses, and local governments.

Please note that there is no 'one-size-fits-all' solution to procurement reform, so you should carefully apply the best practices of others, taking into account the specifics of your city.



# Step one of Mariupol's reform: Identifying challenges and setting strategic priorities for procurement reform

In this section, we will review how Mariupol worked to understand key challenges that it faced in its procurement processes and dive into the importance of having a clear roadmap to transform a procurement system.



## 1.1 Analysis of Mariupol's procurement challenges

The City of Mariupol is one of the largest cities in Ukraine with a population of about 500,000 people. It is a large industrial center (focused mostly on metallurgy), and a vital port on the shores of the Sea of Azov, which makes it a hub for a potential future tourism and resort sector.

Mariupol made the international headlines seven years ago but it wasn't because of its potential as a booming tourism hotspot. Rather because the city was occupied by Russian-backed forces during the conflict in the east of the country. Although Mariupol was quickly liberated, the frontline remains just 30 kilometers from its outskirts, and muffled explosions can still be heard from the city.

In the fall of 2015, local elections took place throughout Ukraine. In Mariupol, like many other cities across the country, new leaders who campaigned on a promise to root out corruption were elected and began taking steps to reform procurement.

An influx of new elected leaders joined the government from positions in the private sector and immediately started to apply business practices to the government. In Mariupol, one of the first steps of the new administration was to initiate a thorough analysis of how procurements were conducted, identify challenges, and develop a transformation roadmap.

Through data analysis, interviews with procurement staff, feedback sessions with businesses, and conversations with civil society organizations, the City quickly identified the core challenges that had to be addressed.

At the local level, these were:

1. A lack of skills and expertise among procurement staff.
2. An unwieldy decentralized system with a high rate of direct contracts.
3. A lack of transparency increased the risk of corruption.
4. Lack of data and evidence about issues in procurement of the City.

### 1.1.1 Lack of skills and expertise among procurement staff

In 2015, Mariupol had 270 legal entities and contracting authorities. According to our interviewees, their staff lacked sufficient knowledge of the law and professional experience in procurement. In particular, procurement staff lacked skills related to market engagement, i.e. how to encourage and attract new potential bidders as well as communicating with awarded contractors to ensure the proper implementation of procurement contracts. The same was true of local municipal council members and citizens, who often simply did not have access to information about the city's procurement. In addition, corruption and cronyism contributed to an unfair playing field for businesses.

Prior to the reforms, Mariupol's procurement had undergone a process of decentralization. Originally, municipal procurements had been organized and coordinated centrally by one city department, but from 2013 to 2015 procurement had been radically decentralized and transferred to 270 legal entities. However, no training had been conducted which resulted in each procurement officer making purchases according to how they understood and interpreted the law. This situation was complicated further by the drastic changes to Ukraine's public procurement legislation, which underwent three major revisions in 2014-2016.

### 1.1.2 Lack of centralized procurement processes

Unsurprisingly, the large number of contracting authorities in Mariupol led to a large volume of contracts, as well as a high number of duplicate contracts, where each entity (for example, each school) would acquire the same products through separate contracts.

In 2015, the city signed a total of 11,778 procurement contracts, but just 297 were conducted as open bids. The vast majority — 11,297 — were concluded as direct contracts, and these weren't published or otherwise made publicly available.

The low purchasing power of procurement entities and the absence of unified approaches to technical and qualitative requirements and contract terms led to inefficient and costly procurements.

### 1.1.3 Lack of transparency and inflated prices

The lack of centralized management (including oversight) of municipal procurement also meant that most procurements were non-transparent, and suppliers/contractors were chosen subjectively at the discretion and favor of officials. This was exacerbated by the complexity of the paper-based procurement process, and the lack of regulations for so-called simplified procurement. It meant that the value threshold at which procurements were exempt from otherwise mandatory procedures was quite high, which created a loophole and an incentive for municipalities across the country to divide contracts to circumvent oversight.

#### A common problem: Too many direct contracts

The problem of abusing direct contracts was not unique to Mariupol. In Bila Tserkva, a city of 200,000 people 70 km from Kyiv, the Department of Capital Construction conducted just one open bidding procedure over the course of an entire year in 2015, while conducting 311 non-competitive procedures during the same period.

In 2015, two out of three procurement procedures in Mariupol (as measured by value, totaling US\$ 60 million) were concluded without the use of any formalized procurement procedures. 19% of the total procurement value was contracted using a non-competitive negotiated procedure, and only 14% through competitive bidding.

The share of canceled and unsuccessful tenders was also high, at 33.4% in 2016. One reason was that non-competitive procedures could be used if a tender failed twice. So some procurement bodies intentionally manipulated their tenders to make them unsuccessful and use direct procedures.

Therefore, the city was paying a premium. An analysis of the contracts from the municipal water supply and sewage enterprise Vodokanal showed that they paid a 30% premium on procured goods, works, and services compared to market prices. In addition, these contracts could only be accessed by Vodokanal staff, limiting the public's opportunities to provide oversight.

### 1.1.4 Lack of data and evidence on procurement performance

To understand how a procurement system is really performing, reformers should conduct a comprehensive analysis of key metrics related to the city's procurement and its subordinate buyers for the previous two to three years. Mariupol city council invited the NGO Civic Control to help out with the analysis. Civic Control experts used the full potential of the business intelligence analytical tool, and in close cooperation with the group of reformers prepared a series of analytical reports to support the reform. They also conducted a number of interviews, surveys, and sociological polls to get a comprehensive overview of the challenges faced by buyers and suppliers.

But even without advanced analytical tools, there are plenty of opportunities to obtain the relevant data. Over 30 countries have implemented the Open Contracting Data Standard (OCDS) and the Open Contracting Partnership may support the collection of the procurement data if the context permits. A lot of procurement systems provide open access to machine-readable contracting data. At the end of the day, the analysis might be conducted in the traditional manner via analysis of paper-based procurements.

## 1.2 Reform roadmap

After identifying these problems the new administration took steps to develop and implement a roadmap for reforms. The roadmap can be thought of both as the strategic and concrete plan of how to implement changes and navigate challenges, and as an underlying 'theory of change'.

This problem-solving approach generates incentives to work on what is important, by guiding you to track progress even in the absence of precise metrics, avoid jumping to conclusions or solutions too early, and break big problems down into smaller ones that can be more easily tackled. It helps you focus your efforts and resources on activities that deliver the most value.

In this guide, we cover Mariupol's roadmap in detail [14], and a model example can be found in Annex I. You can also use the Open Contracting Partnership's theory of change template, [open-contracting.org/start-toc](https://open-contracting.org/start-toc) [4] and theory of change guidance: [open-contracting.org/start-toc-guidance](https://open-contracting.org/start-toc-guidance) [5].

## 1.3 Inviting external technical assistance

All sweeping changes require not only motivated staff and adequate management decisions, but also financial resources. Mariupol managed to secure technical assistance in the form of donations and grants, which has a number of advantages, namely:

- It is free for the city;
- It can provide know-how based on best and proven international practices;
- There is a great variation in available assistance, including grants and in-kind support, educational activities, international study trips to learn from existing best practices, as well as methodological and consulting support.

Mariupol has received assistance and collaborated with partners from the EU, the US and UK Governments, the Open Contracting Partnership, the European Bank for Reconstruction and Development, HIVOS, the Open Government Partnership, and more.

## Examples of sources of international technical assistance

Local authorities can find help to develop their municipal procurement from a number of international actors, including:

- EU Delegations in relevant countries (especially in EU neighboring countries);
- International financial institutions such as EBRD and the World Bank;
- Powerful international development agencies such as USAID, FCDO, European Commission, and GIZ;
- UN agencies like UNDP, UNOPS;
- Embassies of developed countries;
- Other actors such as the OCP or OGP.

# Step one for your reform: Identify challenges and set strategic priorities for procurement reform

Understanding existing challenges and issues is the first step in any reform process. A good place to start is by collecting feedback from stakeholders, such as business, buyers, CSOs, and controlling authorities, and performing a procurement data analysis (share of competitive procedures, success rate, number of complaints, the average number of bids, duration of the procedure, etc). Once you have a sufficient understanding of the challenges, the next step is to develop a roadmap of planned interventions and changes and secure the necessary human and financial resources and political support for reform. Below, we offer an overview of the key issues that should be addressed in any municipal procurement reform, and the most important steps to get there.

## Insights and recommendations:



### Analyze the city's procurement and its subordinate buyers for the previous 2-3 years

To understand the details and scope of the challenges, a thorough internal analysis should be conducted, potentially involving an external professional auditor, eg. through donor/technical assistance.

(!) Procurement analysis is not a one-time thing. It should be a constant, useful routine, embedded in your planning, decision-making, management, and control processes.



### Collect initial feedback from buyers and suppliers

Conduction of polls, surveys and evaluation of buyers and suppliers feedback should be embedded into the business process of the analysis of public procurement fields by the Tender Office.

(!) Being honest and acknowledging problems is a powerful first step towards meaningful reform.



### Develop a reform roadmap and get mayoral and city council approval

A detailed plan is necessary to implement successful and deep-rooted changes. This is best achieved through a roadmap that includes steps, tasks, measures, responsible persons/units, implementation deadlines, budgets, milestones, expected results, and quantifiable performance indicators.

(!) When developing a reform roadmap (or business plan), keep in mind that many processes need to be run simultaneously. You might use the [Gantt-chart template](#) [6] to document the actions needed.

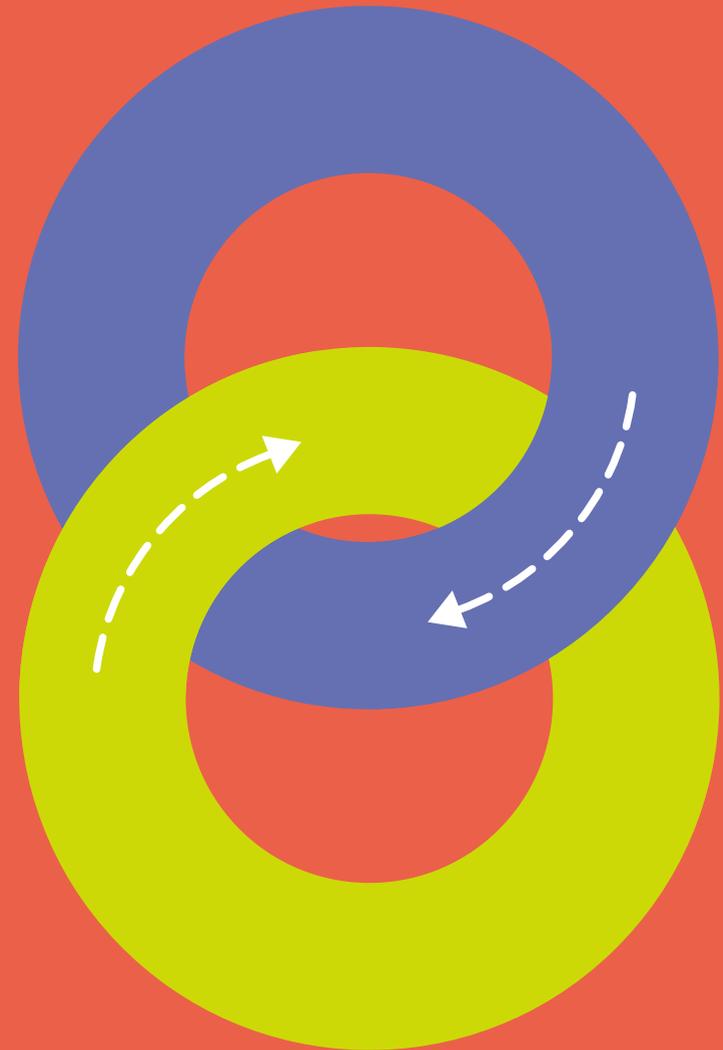


### Seek technical/donor assistance to implement your plans

External technical assistance, e.g. in the form of donor, grant, or expert assistance, is a valuable resource that allows you to maintain operational and strategic autonomy during the reform process.

## **Step two of Mariupol's reform: Establishing reform coordination, support, and a knowledge center**

In this section, we turn our attention to how Mariupol began to execute its procurement reforms. In particular, how they established a Tender Office that became responsible for reform coordination and support of procurement staff all over the city.



## 2.1 Establishing a procurement ‘focal point’

At the end of 2015, Mariupol established a new Tender Office with a staff of 14 people, which became the focal point for the City’s municipal procurement reforms. The Office also independently conducted procurement procedures for the Executive Committee of the Mariupol City Council, gaining valuable practical experience. According to our interviewees, for such a focal point to be effective, it is vital that it is consolidated and politically supported by the mayor and city council and authorized with all rights and power to implement reforms. Likewise, it is key that staff has a good understanding of the law, relevant knowledge, and professional experience, so hiring and training are key considerations.

In Mariupol’s case, the roles and responsibilities of the Tender Office have evolved over the last six years, a reflection of the fact that they are ‘learning by doing’.

With the backing of the mayor and city council, the Tender Office developed and implemented various procurement tools and advanced practices, including guidance on:

1. Local procurement regulations and mandatory use of competitive procedures for procurements below the national threshold value (2016, last updated in 2020) [7];
2. Including design and estimate documentation in the tender documentation for purchases of works regardless of their value (2016) [8];
3. A unified method for accepting goods, works, and services (2016) [9];
4. Oversight over terms of reference and procurement contracts (2016) [10];
5. Formula pricing for fuel procurement procedures (2017) [11];
6. The use of the electronic catalog Prozorro.Market (2019 and 2020) [12].

Since 2017, the Tender Office has had a supervisory and control function, checking contracts and purchases of other City entities, including analyses of prices for goods, services, and works. In 2019, the department started

monitoring the effectiveness of procurement with a mandate to initiate disciplinary action as well as pay bonuses to employees at municipal contracting authorities. This work is supported by the BI Prozorro business intelligence module [13], which uses a data-driven approach to rate the quality and effectiveness of procurements, reducing the reliance on subjective assessments and assumptions.

In parallel with these initiatives, the Tender Office is actively upskilling and further qualifying staff through in-depth training at the Center of Excellence in Public Procurement of the Kyiv School of Economics, a training program funded by international donors.

Each staff member at the Tender Office has a specialization and focuses on a specific element of procurement, and therefore receives training on rather narrow, specialized topics, such as nuances of construction contracts, medical products, infrastructure contracts etc. The Tender Office has also introduced free, compulsory online training for all procurement staff (this is described further in section 2.6).

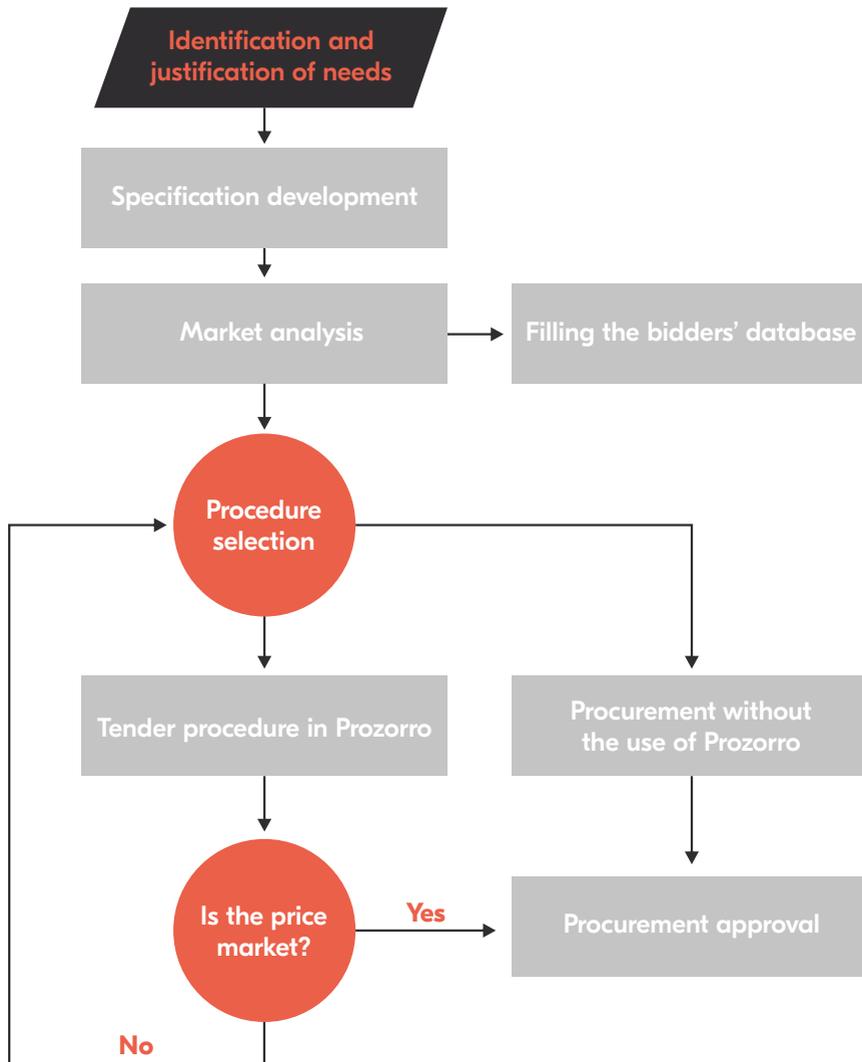
## 2.2 Developing guidance to streamline procurement implementation

For Mariupol to move towards a process of applying procurement rules and regulations in a standardized and consistent manner, it was key to develop guidelines that would govern how all procurement staff carried out their work. These documents should clearly indicate the sequence of actions in the procurement process, and the right course of action in different situations.

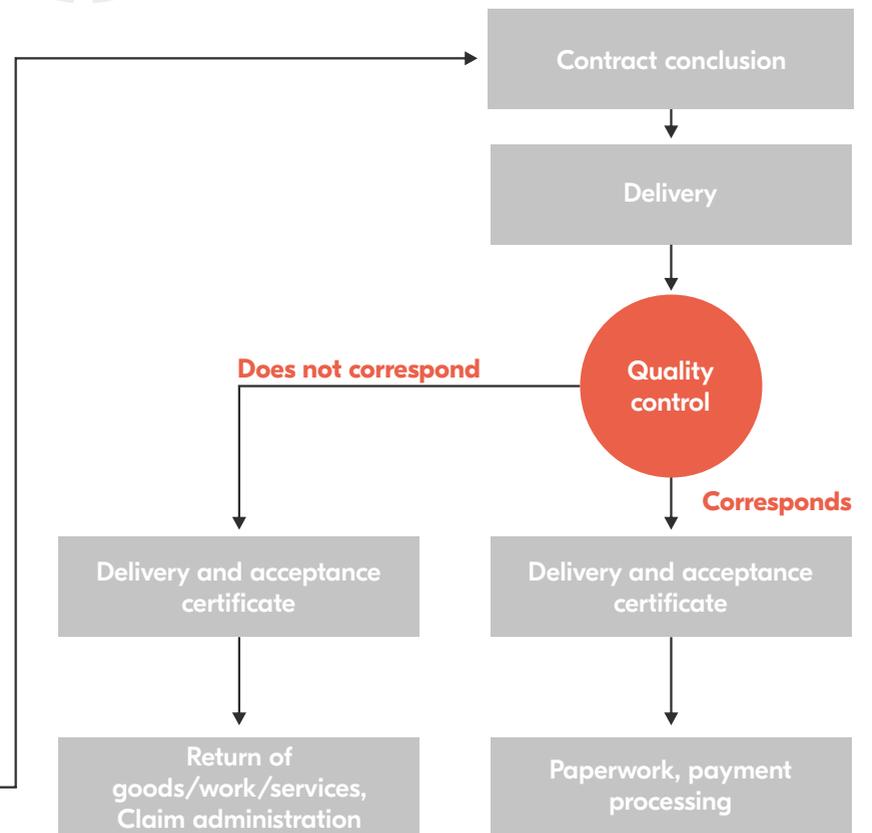
In January 2016 the Mariupol City Council adopted a decision, which was the first concrete step in the reform program. It committed Mariupol to pilot the Prozorro system and specifically established that all under-threshold contracts (less than US\$8,000) had to be procured through Prozorro. However, exceptions were included for emergency situations.

The main benefit of this decision was to establish detailed business processes for the entire contracting cycle, also covering potential obstacles that may arise during the procurement. This decision is still in force, although it has

been adapted several times over the course of the last five years to reflect changes in national legislation and new insights gained from its application. It has become a guiding template for municipal contracting authorities to organize and conduct their procurement procedures. The current version, developed by the Tender Office, looks as follows [14]:



## Mariupol public procurement algorithm – a guide for procurement officers



## 2.3 Implementing proper procurement planning to meet citizens' needs

One of the most important steps in any contracting cycle is the identification of needs and procurement planning. In Mariupol, the administration identified several cases where one buyer was ordering certain goods, despite another contracting entity of the City having a surplus of those goods in stock for years. It was decided to implement a new approach to procurement planning, which included:

- An analysis of stocks throughout the whole municipality;
- A comprehensive analysis of the feasibility of the purchase and possible alternatives [15]. For example, an alternative to buying several separate printers, scanners, and copiers is to buy one multifunction device; or car rental services for a director instead of purchasing a luxury SUV;
- An analysis of the implementation of previous contracts on the same or similar procurement item;
- Public consultations with city residents as end-users of municipal services;
- Market analysis to analyze prices, products, and sellers, using the special CPV tool [16] to analyze procurement items and market consultations.

This preparatory work allows contracting entities to “universalize” technical requirements, and to develop sample specifications for certain goods (and even some services). But most importantly, this preparatory work allows contracting entities to plan procurements properly.

In Mariupol, quarterly planning — in addition to mandatory annual planning — is the norm, and these procurement plans are published in the "Transparent Procurement" section of the Mariupol City Council website [17]. Contracting entities are incentivized to plan carefully and diligently since the procedure for making changes is both complex and requires approval from the relevant coordinating deputy mayor for each municipal contracting authority. The upshot is that potential suppliers can look at and plan their participation for specific bids in advance.

### Making better use of existing stock

The Mariupol Tender Office developed a separate mechanism to use existing stocks more effectively. The aim was to increase the so-called turnover of stocks and avoid unnecessary procurement purchases if those items were already in storage, thereby saving money. In addition to the obvious economic benefit, this policy has environmental benefits as it contributes to a more circular economy.

To support efficient stock management and proper procurement planning, Mariupol is now working to develop and implement an Enterprise Resource Planning (ERP) system.

Publishing procurement plans is very important. For example, in construction, there are high costs associated with relocating workers and equipment, so if there is just one upcoming contract in a specific city, companies might decide that it is not worth their time to bid on it. When companies are able to see a comprehensive list of potential contacts for the entire year, they can better plan their business. This mechanism received good feedback from businesses because it significantly simplified their planning for local tenders.

## 2.4 Standardizing contracts

Mariupol also standardized contracts to specify exactly what information to include and how the process of signing contracts should work.

The City Council developed a process for how to prepare and sign contracts, a number of basic requirements, and six sample contracts for different procurement use-cases [18].

The City Council defined the following mandatory requirements for each contract [19]: date and place of a conclusion, supplier, signee and authorization to sign, subject of the contract (including detailed specification, nomenclature, assortment, quantity, and quality requirements), unit price and total cost, duration, and terms of delivery, payment terms, a procedure for accepting goods/works/services, obligations, anti-corruption measures, and more.

This made it easier to spot potentially fraudulent contracts and hold contracting authorities to account in the event of disputes. It has also had the added benefit of greatly simplifying the process for legal and other departments to verify contracts in cases of disputes. Moreover, it became easier for bidders as they did not have to invest much time into analyzing draft contracts for each particular procurement procedure.

## 2.5 Creating a library of technical specifications

When there are hundreds of different buyers in one municipality, the risk of fraud and errors increases — in addition to creating more duplicate work for procurement staff. Creating a standardized library of technical specifications can help alleviate this problem.

Since 2017, Ukraine has had a [national library of sample specifications](#) [20], which is hosted on the Prozorro e-procurement system. Today, it contains more than 23,000 publicly available specifications, and they have been used to procure everything from fuel to stationery and detergents.

The Tender Office has promoted the use of standard technical specifications and developed samples for municipal procurement, like for [office supplies](#) [21] and [food](#) [22].

The approach has reduced the number of complaints from suppliers and raised the quality of goods, since the lack of proper specifications previously led to a high rate of low-quality goods being delivered. This, in turn, led to disputes and misunderstandings between contracting authorities and suppliers.

## 2.6 Upskilling procurement staff

According to our interviewees, the norm in most Ukrainian municipalities used to be that the procurement function was assigned to staff, not based on any expertise or even an interest in procurement, but due to a more or less arbitrary decision by management.

Thus, a large number of employees who conducted procurement did not consider it to be their primary job, but an additional unrewarded task. They spent little time improving their skills and knowledge. In cases like these, it is important for city authorities to invest in training and make future employment contingent on the ability of staff to demonstrate a sufficient level of procurement expertise. In Mariupol, these changes to the procurement and oversight system led to a staff turnover of 50% in the first year.

### 2.6.1 Training staff in regulatory changes and use of the Prozorro platform

From March 2016 to October 2017, regular training sessions for municipal contracting authorities and businesses were conducted by procurement expert organizations with the participation of representatives from the Ministry of Economy and the state-owned enterprise Prozorro (which administers the electronic procurement system). In these training sessions, participants were taught both the basic principles of relevant laws and how to use the Prozorro e-procurement system. The sessions also focused on specific cases, with an emphasis on instances where contracting entities had intentionally or unintentionally committed violations, to give staff a better understanding of how to avoid similar breaches or errors. Anonymous tests and surveys were also conducted to assess what participants had learned.

As a result of these sessions, the participants — with the support and coordination of the Tender Office — took on the role of instructors at internal seminars in their respective organizations, broadening the knowledge base further. During the period 2017-2019 about 100 training events were organized for municipal contracting authorities.

### Teaching procurement at universities

There are currently [five higher education institutions in Ukraine that offer a master's degree program in public procurement](#) [23]. Four additional universities plan to offer a master's program in 2021/2022, and 25 universities have introduced a course on public procurement under other specializations (mainly in the economic and legal faculties).

Other sessions focused on the use of new tools to increase procurement efficiency, for instance, [framework agreements](#) [24]. Mariupol was one of the first cities in Ukraine to take advantage of framework agreements after they were introduced nationally in 2019. Since then 19 agreements have been concluded (mainly to purchase critical goods such as fuel, electricity, and construction materials). A framework agreement sets the maximum price per unit of goods for each supplier, and a mini-auction between suppliers is used to enter into contracts. This has resulted in costs that are between 5-20% below the market average.

### Using framework agreements to save costs

To hedge against price fluctuations, it may be beneficial to enter into long-term framework agreements with several suppliers in some procurements, most commonly for standard goods or services where there is a recurring demand over a period of several years. The framework agreement sets out some or all of the key conditions governing the subsequent conclusion of final procurement contracts over a certain period of time (from one to four years).

Read more about [Law and Economics of Framework Agreements](#) [25].

The same happened when electronic catalogs were introduced in the e-procurement system, basically an online marketplace. Mariupol became a pioneer user of the online shop for small value procurement procedures. [Electronic catalogs](#) [12] significantly simplify the bureaucracy and duration of the procurement process and help procurement professionals select the best prices, suppliers, and sign a contract online within four days through an open electronic system.

## 2.6.2 Developing new manuals and guidelines

Procurement managers and buyers need clear manuals and guidelines to govern how they plan procurement procedures, publish tender notices,

implement contracts, or use procurement portals. The documents may be developed by the municipality itself, adapted from other, existing best practice guidance, or developed in collaboration with external experts.

In 2016, at the invitation of the City authorities, civil society experts developed [a manual with instructions for how to conduct procurement procedures](#) [26], which included a description of common mistakes or caveats that should be taken into account. The manual has been updated annually, to reflect changes in legislation and new practical cases of violations and errors. Civil society stakeholders have also developed a [series of video instructions](#) on how to use the new Prozorro system [27].

Finally, the entire regulatory procurement framework (both national and municipal) is openly available on the City Council's web portal. It is very well structured, user-friendly, and contains step-by-step instructions on how to conduct procurement procedures, and [examples of documents required in the process](#) [28].

## 2.6.3 New mandatory online courses

### Online courses

Ukraine launched an online course in 2016, one of the first of its kind in Europe, with 14 modules specifically for procurement staff. It was freely and publicly available on the online learning platform [Prometheus](#) [29], and as of 2019, 85,000 people had taken the course. Two other courses — one for businesses and one for citizens and NGOs — are available on Prometheus and the [Open University of Maidan](#) [30] respectively.

In October 2016, the mayor of Mariupol decided to make free online training courses mandatory for all procurement staff. According to our interviewees, this significantly increased the proficiency and skills of staff at the municipal contracting authorities and reduced the number of errors made in the procurement process. Those who failed to obtain a certificate after completing the courses were transferred to other non-procurement positions.

# Step two for your reform: Establish reform coordination, support, and a knowledge center

After you have identified challenges, developed a roadmap, and secured resources, it's time to begin implementation. Think carefully about who will lead and how your transformation will be coordinated. Make sure that this person(s) or unit has enough legal power and capacity. Redesign procurement business processes to make them simple and efficient, develop standard regulations and templates that will simplify buyers' work, and upskill your procurement staff and management.

## Insights and recommendations:

### **A single focal point must be in charge of leading reforms, and they must be given adequate rights and powers**

It is important not only to communicate explicitly about their remit and responsibilities but also to define these in relation to other municipal institutions.

(!) Some "interested parties" will resist reforms, and you have to plan and prepare for push-back. It is wise to identify potential blockers and prepare a counter-strategy.

### **Reengineer your business processes to make them smart, simple, and efficient**

Rules work well when they are clearly defined, approved for implementation, and enforced. Establish rules for planning, stock management, tender documentation and specifications development, contracting, goods/works/services acceptance, and other processes. Embed green and sustainable approaches into your policies.

(!) Make sure that your planning approaches are designed around citizens' needs and are inclusive to all groups - vulnerable communities, women, and other disadvantaged groups.

### **Establish methodological assistance to all municipal contracting authorities**

Develop guidelines, [visual business processes](#) [31], standard tender documents, specifications, contracts, and other documents useful to buyers, select efficient practices like framework agreements and e-catalogs for priority implementation. It should be clearly stated whom subordinated contracting authorities should approach for procurement advice, and who is responsible for checking contracts and ensuring compliance with established guidelines.

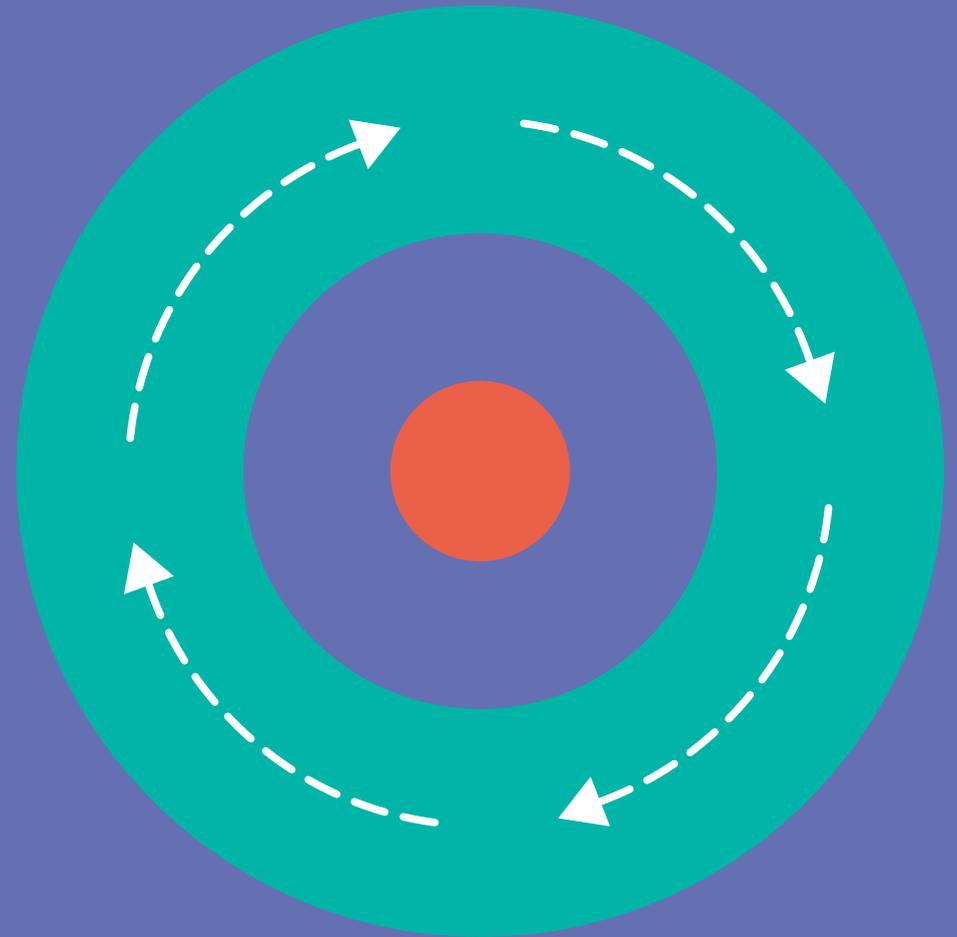
(!) The municipality's [web portal](#) [28] should serve as a single-window for all useful information.

### **The most important determining factor for the efficiency of procurement is the procurement staff involved - ensure they are properly trained and compensated**

Train staff on a running basis, using all available opportunities and formats (online and offline, using practical cases, and involving civil society organizations, etc.). Having the skills to work with data and data analysis is key for employees in a digitized procurement system. Conduct relevant training sessions for management.

# Step three of Mariupol's reform: Establishing procurement oversight throughout the contracting cycle

After establishing new policies and procedures and training its staff, Mariupol focused on enforcement. In this section, we will cover how the city built its monitoring and oversight system to ensure that all procuring entities not only comply with legislation but also focus on the efficient implementation of adopted policies.



### 3.1 Developing a centralized monitoring system for municipal procurement

At the initial stage of strengthening internal oversight, it is once again important to have a focal point for reforms as described in section 2.1. It should be clearly stated whom contracting authorities can approach for procurement advice, and who is responsible for checking contracts and ensuring compliance with established guidelines. In Mariupol the supervision of procurement monitoring was strengthened from 2016-2019, which culminated in 2019 in two decisions by city authorities:

1. The decision of the City Council to centralize procurement functions [32];
2. A mayoral decision to place the responsibility for monitoring municipal procurement activities with the Tender Office.

Currently, the municipal procurement monitoring system has five components:

1. A review of technical specifications by the Tender Office prior to tender publication;
2. A highly public process to address violations;
3. An expanded remit for the Tender Office to both discipline malfeasance and reward exemplary performance;
4. The establishment of cross-departmental special commissions to accept goods, which limits opportunities to negotiate informally with individual project leads;
5. Preparation of regular public procurement performance monitoring reviews (described further in section 6.1).

Below, we cover each of these elements in more detail.

### 3.2 Transition to data-driven monitoring

Mariupol benefits from the strong analytical infrastructure provided by the Prozorro public procurement system [33]. The business intelligence module [13]

significantly simplified the monitoring and oversight process for the city to manage its more than 300 procuring entities.

The first step in the transition to data-driven monitoring was introducing a hierarchy of those entities into the business intelligence function. Since 2016, the city can see all procurement plans, tender notices, awards, contracts, and contract implementation data in two clicks. It can track this data either on a certain buyer or a group of buyers (for example the healthcare or education department) or the city as a whole.

The Tender Office monitors indicators such as:

- Tender notice value: high values were considered risks, as well as values close to the threshold (e.g. US\$ 7,990 when the threshold is US\$ 8,000)
- Direct contracts: all justifications for single-sourced procedures were reviewed
- Number of disqualifications: The reasons for disqualification were checked for fairness
- Number of complaints: a complaint from a business can indicate discriminatory requirements or an unfair decision - a red flag for the Tender Office to check the procurement process
- Tender duration: small value tenders with a short tender period
- Low competition: certain sectors where competition is low are monitored more carefully
- Projects that are considered a strategic priority for the city are approved at the city level and carefully monitored by the Tender Office

### 3.3 Compliance review by Tender Office

At the beginning of all procurement procedures, the municipal contracting authorities send the initial terms of reference (i.e. the technical specifications) to the Tender Office where they are reviewed to identify any possible discriminatory requirements prior to publication. The Tender Office then returns their comments and suggestions to the municipal contracting authorities. After the contract has been signed, it is transferred to the Tender Office. The Office checks the contract to ensure it complies with the relevant

procurement procedure and only then is the contract transferred for registration and payment to the State Treasury. Each staff member at the Tender Office has their own specific field of expertise, so one person checks the food purchases, another checks medicine purchases, someone else checks capital works purchases, and so on.

If significant violations are detected in the procurement procedure, a package of documents is collected and submitted to the City Department of Security and Prevention of Corruption. Violations include cases where:

- The municipal contracting authority intentionally disregarded previous instructions from the Tender Office to remove discriminatory conditions;
- The contract exceeds the initial estimated contract value. The Department of Security and Prevention of Corruption reviews the analysis from the Tender Office and prepares documents to prove potential individual liability. In the first four months of 2021, two directors of municipal enterprises in Mariupol were let go as a result of this process.

### 3.4 Addressing violations

In the first two years of the reform process (2016-2017), special meetings chaired by the mayor were held every three months in which representatives from municipal contracting authorities that had committed violations in the procurement process were called to publicly explain the cause of these breaches.

The information and evidence about potential violations had been provided by civil society activists and by the Tender Office. On this basis, the City authorities drew conclusions and decided whether or not to alert the prosecutor's office. This spurred managers at municipal contracting authorities to closely monitor staff responsible for procurement to ensure they had sufficient knowledge of the law and complied with it. The public nature of these meetings had a strong psychological impact on all managers, and in the words of our interviewees, they were a testament to the strong political will of the City's leaders to root out violations.

Since 2018, the Mariupol Tender Office has regularly sent a letter to all municipal contracting authorities with the most common types of violations, providing details and explaining how to prevent them.

### 3.5 Expanding the Tender Office remit

In 2019, the remit of the Tender Office was expanded to strengthen oversight. This means that:

- When municipal contracting authorities appoint a new head of their respective procurement units or authorized persons responsible for procurement, they must be interviewed by the Tender Office and receive their approval;
- The Tender Office can initiate both disciplinary proceedings, and assign bonuses for both authorized persons and specific divisions in charge of municipal procurement.

The decision to provide bonuses helped improve the motivation of staff and as a result the quality and efficiency of procurement.

### 3.6 Using special commissions for goods/works/services

From the beginning, Mariupol's Tender Office drew attention to the importance of contract implementation oversight, as there had been several cases of products delivered that were either poor quality or in the incorrect quantity. With the support of city authorities, new rules were passed in 2016 to govern how goods, works, and services would be accepted [34, 35]. The rules are mandatory for all contracts by municipal contracting authorities, regardless of value (except for individual goods and services specified by each municipal contracting authority). The rules specify:

- The process for accepting products, which is carried out by specially created commissions consisting of representatives from the unit(s) who (i) initiated the purchase; (ii) will store the products (mainly in the case of goods) and (iii) will use the purchased products. In addition, they may be joined by an independent representative (as specified in the contract) and a representative from the Department of Security and Prevention of Corruption (to be decided on a case-by-case basis). More information about the involvement of citizens in the acceptance commissions can be found in section 5.4 of this guide.

- How to apply mandatory standards as well as the regulatory and technical documentation to uphold requirements and ensure quality control.
- Detailed instructions for how to inspect products and record deviations from the terms stated in the contract.

In an additional City Council decision in 2016 [36], municipal contracting authorities are required to include references to these product acceptance standards, which all contract parties are bound by, in both draft and finalized contracts. These measures have increased both the quality and timeliness of contracts.

As stated above, and to provide additional oversight and limit the risk of corruption, representatives from the Municipal Department of Security and Prevention of Corruption are mandated to participate in the procedure and given the right to request additional checks of documents and goods. Representatives from this department are also involved in cases where contracting authorities lack the necessary qualifications to conduct the procurement independently, a concrete example being the procurement of a number of condominiums in the city. They are also mandated to conduct surprise site visits. Annually, the Department's employees attend about 500 product acceptances, focusing most often on contracts that exceed US\$37,000 or when there is a pertinent risk/priority.

Together, these interventions dramatically reduced the time spent on resolving disputes, and also simplified performance monitoring of contracts.

### How the Department of Security and Prevention of Corruption performs procurement oversight

The Department provides oversight in purchases exceeding US\$37,000. They may also be contacted by any municipal contracting authority if there are signs of potential fraud from a supplier/contractor.

They check the following:

- Compliance with existing laws and regulations, all accompanying documents with the original contract, and

design and cost estimate documentation (when purchasing works);

- The presence of hidden works (i.e. those works that can't be checked when the work is fully completed, for example, which foundation has been laid under the curbs);
- In the case of large purchases of goods, surpluses and stocks of similar goods from previous purchases are checked to see whether there is an attempt to pass off used goods as new ones (for example, one supplier tried to deliver used but well-painted trucks as if they were new);
- Documentation of loading delivery, to verify everything has been shipped in full;
- Instances where the initial contract value has been amended to a higher value (to verify whether the grounds for amendments were reasonable, e.g. to reflect market price fluctuations).

When discrepancies or errors are detected, the Department notifies the relevant contracting authority. At present, about 80% of these notifications are taken into account by the contracting authorities. If these notices are ignored, it can lead to increased operational risk and, accordingly, will lead to more comprehensive inspections of the contracting authority.

If grave violations are identified, the mayor is notified, who, based on the information received from the Department, decides whether to initiate an official investigation, which lasts between 2-30 days. Official investigations are also conducted when credible allegations of fraud are covered in the media or on social networks, or if possible violations are reported by the Tender Office. In the first half of 2021, two directors of municipal enterprises were let go as a result of investigations.

The monitoring initiatives have been emulated in other cities across Ukraine (notable examples include Kyiv and Dnipro), but Mariupol managed to make this approach both highly comprehensive and balanced in terms of "motivation" (through training opportunities and financial bonuses) and in terms of "punishment" (through disciplinary liability, dismissal of managers, and non-appointment).

# Step three for your reform: Establish procurement oversight throughout the contracting cycle

Once the procurement processes are redesigned and procurement staff and managers are empowered with guidelines, templates, best practices, and continuous learning opportunities, it is important to establish proper monitoring and oversight empowered with digital tools, capable staff, and legal powers to enforce findings.

## Insights and recommendations:



### Set up a procurement monitoring and oversight unit

Make sure that a unit has access to data, information and ideally monitoring infrastructure (e.g. business intelligence tools, ERP systems, red flags tools, stock-management systems).  
(!) Unification of coordination (e.g. specifications and contracts approval) with the monitoring and oversight function has high corruption risks.



### Understand your monitoring object – develop a structure of all municipal procuring entities and think about mechanisms for rapid data collection

Large cities have dozens or hundreds of buyers under their management. Think about business intelligence or other analytical tools that will simplify data analysis and will provide a helicopter view for all procurement.  
(!) If you don't have good procurement data, use weekly/monthly reports in spreadsheets.



### Develop a comprehensive monitoring methodology and clear KPIs for all subordinated procuring entities

Think about metrics that are important: share of competitive procurement, the average number of bids, number of disqualifications and complaints, average procedure duration, the share of contracts implemented on time.  
(!) This should be properly communicated to buyers and regularly monitored.



### Send strong signals that municipal procurement reforms are serious and create incentives for a positive attitude

The carrot-and-stick approach works well: positive enforcement opportunities (training, consultations, bonuses) are complemented by disciplinary actions such as setting liability, fines, dismissal, and non-appointment.  
(!) Public appraisals and/or punishments change internal culture and external perception.



### Focus on prevention of violations and losses – use public funds efficiently

Post-award control is less effective and often falls on law enforcement rather than municipal staff. It can not prevent mistakes or losses. Therefore, a centralized mechanism to monitor municipal procurement to prevent possible mistakes and violations is key.

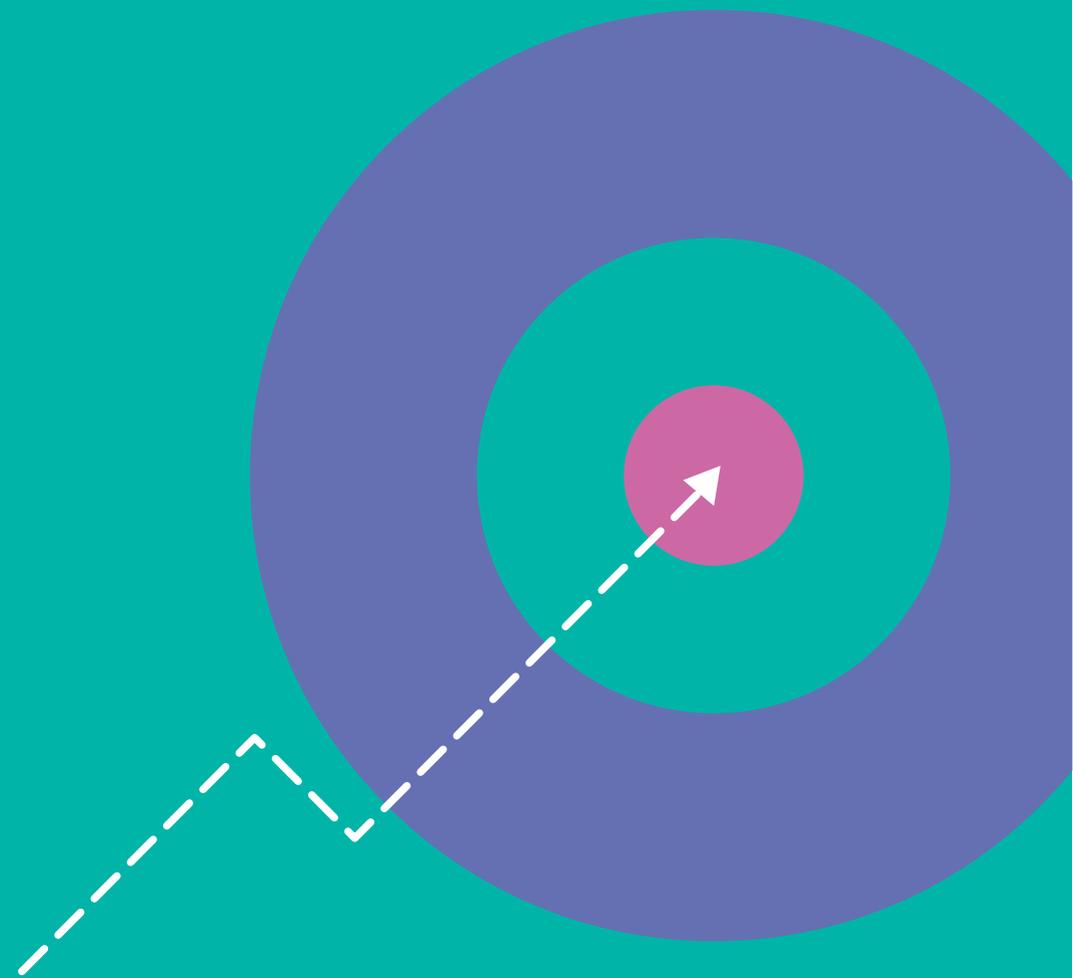


### Set up a proper procedure for the acceptance of goods/works/services with the inclusion of interested parties and final beneficiaries

All parties - buyers, suppliers, and ultimate beneficiaries should know that a city cares about proper service delivery that meets citizens' needs. Having working acceptance procedures embedded into each contract will help to control the quality of goods/works/services and increase contract implementation efficiency.  
(!) Experiment with new approaches - invite competitors or citizens to acceptance procedures.

# Step four of Mariupol's reform: Increasing business confidence in public procurement

In Ukraine, business confidence in the old procurement system, which was marked by cronyism and corruption, was low. Mariupol set out to raise trust and confidence in the new system.



## 4.1 Simplifying access to tender opportunities

First and foremost it is important that businesses can easily find and understand what they are looking for.

Some municipalities have very complex procurement systems without any subscription and notification functions and suppliers have to sift through websites every day to not miss a procurement opportunity. The Prozorro system allowed easy access to all tenders in Ukraine and provided convenient subscription and notification services (including keywords). All procurement above \$125 is published in a single procurement portal.

Procuring entities can still manipulate tender descriptions by trying to hide obvious goods/works/services under ambiguous item descriptions. The Kyiv City Oncology Center procured cleaning mops using the vague description of “a device with a nozzle and a holder.” Only one bidder applied and 50 mops were procured for the equivalent of around US\$100 each.

Mariupol obliged all procuring entities under their control to comply with [national regulations on defining the subject of procurement \[37\]](#) and [specified how all procurement subject details, including description and CPV codes \(Common Procurement Vocabulary - single classification system\) should be presented\[38\]](#).

These decisions, in combination with regular oversight described in Section III, guaranteed that potential suppliers always have access to clear and factual information about all municipal procurement.

## 4.2 Raising business confidence at the local level

We can view business confidence in public procurement on two levels:

- **The macro-level:** the average "temperature" of confidence that the business community has towards the national public procurement system;

- **The micro-level:** the level of trust that businesses have towards a particular contracting authority or, in our case, the municipality and local contracting authorities.

### Business confidence in procurement at the national level

The reforms have had a positive impact on private sector confidence in the procurement system, according to a survey conducted by Transparency International Ukraine in 2020 [39], which showed:

- 54% of surveyed bidders said they were completely satisfied with the Prozorro system;
- 41% indicated they had not encountered corruption in procurement;
- But 24% of respondents said they had directly encountered corruption when participating in Prozorro procurements;
- Asked about the most common problems that businesses face in public procurement, the respondents highlighted: discriminatory requirements in tender documents (70%), requirements to submit additional optional documents (68%), and unjustified proposal rejections (56%);
- 84% of respondents said contracting authorities should be disciplined more severely for violations.

[In two previous surveys \[39, 40\]](#) businesses said the main challenges they encountered in the procurement system were the use of lowest price as the award criterion, excessive bureaucracy, favoritism, and the complexity of the dispute mechanism.

For a deeper exploration of how Ukraine has raised business confidence at the national level, see this [brief history of Prozorro published by the Ministry of Economy of Ukraine \[41\]](#).

The three most effective levers to strengthen business confidence at the micro or local level are:

1. A good, legal, and transparent procurement process;
2. Communicating openly, consistently, and professionally with businesses;
3. Showing to all the stakeholders that there is no impunity on a municipal level

After describing the steps towards building a transparent and fair procurement system in previous sections, we now turn our attention to open and fair communication with businesses.

In many countries where the national procurement legislation is reformed, including Ukraine, businesses may have reservations or doubts regarding the trustworthiness of state or municipal contracting authorities. Communicating effectively to the business community is vital, and the local government in Mariupol has taken a number of steps to engage with the private sector's concerns.

- 1. Advertising:** The city initiated a media campaign to promote trust in the new system, emphasizing that it is transparent and that the city has a zero-tolerance policy for corruption. The campaign was implemented through a series of targeted media placements and more than 30 thematic billboards displayed on main thoroughfares of the city.
- 2. An accessible claims and appeals procedure:** In addition to the independent complaints review mechanism provided by the procurement law, a local mechanism to promptly review complaints was developed in partnership with civil society. Under this new process, businesses can make claims about possible violations through the public monitoring portal, Dozorro, or directly through the Tender Office. In turn, the Tender Office must monitor whether municipal contracting authorities have responded to each claim in Dozorro, and to each individual appeal to the Tender Office. In 2020, a total of 72 appeals were made, all of which received a response.
- 3. Open review of violations and mistakes:** Every quarter, the municipality, in collaboration with its NGO partner [Civic Control](#) [42], invites businesses to a public event to present and discuss violations in procurement that the NGO has identified. These meetings also serve as a forum for businesses

to voice their complaints and give feedback. Civic Control has been active in both traditional media and through social networks, discussing facts about procurement violations, and how violations are prosecuted.

According to our interviewees, these steps helped to create a positive image of transparency and increased the confidence and willingness of businesses to participate in municipal procurement, increasing competition and efficiency.

### Increasing business trust by involving firms in monitoring contract implementation

When the Ukrainian Postal Service “UkrPoshta” lacked specialists who understood all the nuances of its many products, the entity decided to invite representatives from the winning contractor's competitors to check whether the products delivered complied with the specifications. This free competitive control mechanism has improved the quality significantly. It has also increased market confidence in the postal service as a competent, fair, and reliable client resulting in higher competition for its tenders and greater efficiency.

## 4.3 Encouraging local businesses and SMEs to participate in procurement

Small and medium-sized enterprises (SMEs) are important for many reasons, not least because local businesses provide significant tax income to city budgets. The likelihood that SMEs will participate in procurement procedures is dependant on a number of factors, including:

- **Contract value:** as a general rule, a higher contract value makes it less likely that SMEs will participate in and win procurements;
- **Procurement category:** SMEs very rarely participate in and win tenders for public works (which are usually also high-value contracts);

- **The procuring entity:** municipal contracting authorities are usually more inclined than large national contracting authorities to favor SMEs in procurement;
- **The procurement procedure:** SMEs are usually not invited to participate in negotiated procedures, but are much more successful in open bids;
- **Procedure requirements:** SMEs are more likely to participate in bids if the documentation and specification are simple and clear, ideally standardized.

While local governments can and should encourage more SMEs to participate in procurement, it is also necessary to keep the right balance and avoid creating conditions that ensure only local businesses win bids. This may be a violation of national law, under which such restrictive conditions can rightly be considered discriminatory.

Building on Mariupol's experience, there are a number of steps local governments can take to encourage more SMEs to participate more actively in municipal procurement:

1. Conduct public meetings with local businesses, including pre-tender consultations to present the procurement plans of municipal contracting authorities. Contracting authorities can encourage SMEs to consider joint bids for larger tenders, either through formalized consortia or through subcontracting mechanisms for services or public works;
2. Dividing one large tender into several smaller lots to give SMEs better chances to win. Contracting authorities should take care to avoid discrimination;
3. Apply unified technical specifications, which makes procurements more predictable and easier to understand for businesses and contracting authorities;
4. Use an additional evaluation criterion such as "involvement of local small business and/or local labor force";
5. Ensure timely payments — SMEs are more sensitive than larger companies to long lead times for invoices.

While motivating local businesses to participate in your municipal procurement, it is also important to encourage and train them to sell their goods/works/services through public procurement to other cities and regions.

Since 2016, the number of Mariupol-registered companies selling through Prozorro has grown consistently.

Years	2016	2017	2018	2019	2020	2021*	Total
Number of companies	642	1135	1156	1251	1630	1616	<b>3157</b>
Total contracts value, US\$ million	46.7	159.2	161.8	330.1	284.6	322.1	<b>1304.5</b>
Contracts outside Mariupol region, US\$ million**	9.3	90.7	56.5	135.1	117.8	225.2	<b>634.6</b>

\*as of October 31, 2021

\*\* 80% of the contract value comes from a road construction company that managed to win big contracts all over Ukraine

In 2021, more than 1,600 companies made sales through Prozorro, including through the electronic catalog [Prozorro.Market](#) [12]. In six years, Mariupol-registered firms signed 107,214 contracts for US\$1,304 million. About half of the income from those contracts is generated from deals outside the city, or US\$634 million worth of contracts signed by 887 of the 3,157 Mariupol-registered suppliers selling through Prozorro. These companies signed 7,577 contracts with 3,831 buyers from all of Ukraine's 25 regions. Selling to other regions still helps the municipality, as taxes are paid in Mariupol.

### Factoring as a way to improve SMEs cash flows

In 2020, Prozorro conducted a survey [43] to determine the barriers that prevented SMEs from participating in public procurement. Some 60% of respondents said the long payment periods, which can range from 30 to 180 days or more, locked them out of tenders.

Factoring was explored as a potential solutions. The factoring mechanism [44] works as follows: the supplier (SME) that delivered goods\services and has not yet received payment, transfers the right to demand payment under the contract of supply to the factor (bank). The factor settles with the supplier immediately after the right of claim is transferred and expects the procuring entity (debtor) to repay the debt. Such an agreement is beneficial to all - the buyer and supplier, as well as the bank.

## 4.4 Market consultations

Any effective procurement system relies on information. Businesses must be able to access information about potential suppliers, products, and pricing configurations in order to make realistic and timely bids. This information is usually found through a number of sources, including e-procurement systems, magazines, trade fairs, internet searches, and more. In this section, we turn our attention to a specific source of information: pre-tender market consultations with businesses.

Market consultations are not intended to replace other channels of communication, but instead serve to give businesses an opportunity to ask clarifying questions in an open forum. The mechanism helps buyers increase the relevance and quality of their bids through access to technical requirements, estimated value, and other important details. Contract authorities should still maintain clear communication across existing channels necessary to maintain general market awareness.

In a digitized e-procurement system, there is limited direct, personal contact throughout the procurement process. Direct market consultations can serve as an opportunity for face-to-face meetings. It is advisable to safeguard against possible cronyism or favoritism that might arise as a result of these meetings.

### Market consultations becoming mainstream

Over the last three years, the practice of conducting market consultations [45] has become more widespread in Ukraine. The first market consultations [46] were organized by the largest, most advanced, and most experienced contracting authorities, such as the postal service, the national nuclear energy company Energoatom, and the gas and oil company Naftogaz. Mariupol was one of the first local governments to embrace the practice, holding five consultations [47] in the first six months of 2021.

To organize transparent and effective market consultations at the municipal level, we recommend to:

- 1. Attract as many businesses as possible:** Invitations to participate in consultations should be published on the website and/or social media (if any) of the municipal contracting authority and/or municipality, and can, in addition, be sent to all relevant companies. The idea is to attract the maximum number of businesses in the relevant market to enhance competition and get as much advice as possible about technical specifications, estimated cost, and other important characteristics. A large initial pool of prospective bidders will also lower the risk of potential collusion.
- 2. Keep tabs on all potential bidders:** Creating a database of potential bidders is important to have a holistic overview of possible partners. This database can be based on e-procurement system data and participation in exhibitions and industry conferences.
- 3. Make meetings and their results accessible:** Recording or streaming market consultations online, and making these publicly available, will



increase transparency and ensure more people have access to the discussion, thereby furthering the reach of consultations. Participants should be notified that the video recording will be publicly available. A good practice is to publish minutes of the market consultations on the website so that other providers who could not attend the meeting also have a chance to get acquainted with the information.

**4. Cover all the important information:** During the consultation, a number of topics are important to cover. These usually include the initial terms of the tender, considerations about the most appropriate tender procedure (open bidding, restricted tender, or competitive dialogue), allotment with several contracts or single contract, the best time to tender, details of contract performance, taking into account internal organizational aspects of the contracting authority, acceptance procedures (quality control) for delivered goods, services, or works, as well as logistics, payment procedures, etc.

**5. Include all relevant representatives:** Care should be given to ensure the team representing the contracting authority at meetings spans all relevant areas of expertise and remit. This will often include a procurement expert/manager, a representative of the procurement initiation unit, one or more people involved in the development of technical specifications and related tender conditions, the person responsible for managing the contract on behalf of the contracting authority, and potentially a representative of the internal audit department and/or an anti-corruption official.

## Alternative market consultations

In Mariupol, a modified form of business consultations has been used for procurement planning and to unify technical specifications. For certain complex procurement items such as medical goods, the Tender Office invites business representatives (particularly manufacturers) to contribute to the development of technical specifications. The aim is to reduce the risk of inadvertently including discriminatory requirements. These requirements are later shared with contracting authorities for their comments. If the contracting authorities raise objections, the Tender Office moderates a discussion to clarify and resolve those issues.

In addition, the Tender Office carries out another form of market consultation based on the draft annual procurement plans. From these plans, it is possible to see which items take up the largest share of procurement spending. The Tender Office contacts these suppliers in order to clarify the market price, especially in cases where they suspect the purchase price has been overestimated, and offer to participate in the procurement process, pre-announcing such procedures, and ensuring transparency.

# Step four for your reform: Increase business confidence and trust in public procurement

The private sector is a vital part of any effective procurement system. But business confidence in procurement is low, in part due to perceptions that the system is affected by high levels of corruption. You can increase the trust and confidence of the business community by communicating openly and transparently, providing complaint review mechanisms, and demonstrating that there is no impunity in the system. Another challenge is low capacity — so invest into training business skills to sell to your municipality and beyond.

## Insights and recommendations:



### Simplify access to tender opportunities

Make sure that tender notices are easily accessible and clearly described. If your procurement system is unified and has subscription/notification functions - work on simplifying tenders descriptions, standardizing tender documentation and other related documents.

(!) Easily accessible procurement procedures are not always simple and understandable.



### Establish trust through regular communication with business. Be proactive, open and fair

Don't be afraid of making the first move — invite businesses for a regular dialogue — share all of your reform plans and challenges you face. Ask businesses about their needs and requests from a municipality.  
(!) Don't treat these meetings as a formality — they will help you to understand real issues.



### Use different tools and techniques to talk to business

There are many options that can be used, from online streams via social media (YouTube, Facebook), municipality websites, offline municipal procurement fairs, or digital or offline marketing campaigns. Be creative and try to speak the same language as businesses.



### Ensure feedback mechanisms are established and function properly

Business needs a trustworthy channel to report violations and manipulations, and share constructive ideas for improving the procurement system. Make sure that this channel is properly communicated and easily accessible.  
(!) This is a two-way street — respond promptly and react to feedback.



### Encourage local businesses, especially SMEs, to participate in procurement

Create conditions for the inclusion of the SMEs into the procurement ecosystem through adequate planning of contract values, ensuring timely payments, realistic delivery terms, standardizing tender documentation and specifications, promoting factoring or banking services if they are available on the market.  
(!) Local businesses are the main source of revenue for city budgets and provide jobs for residents.



### Use market consultation mechanisms where appropriate

Businesses working in the field are some of the best experts to help plan a procurement procedure. Before launching important tenders make sure you have consulted with the market and considered all nuances (e.g. specification details, delivery terms, warranty requirements).  
(!) Your market consultations as well as their results should be open to everyone and well-balanced to be objective and independent of specific business interests.

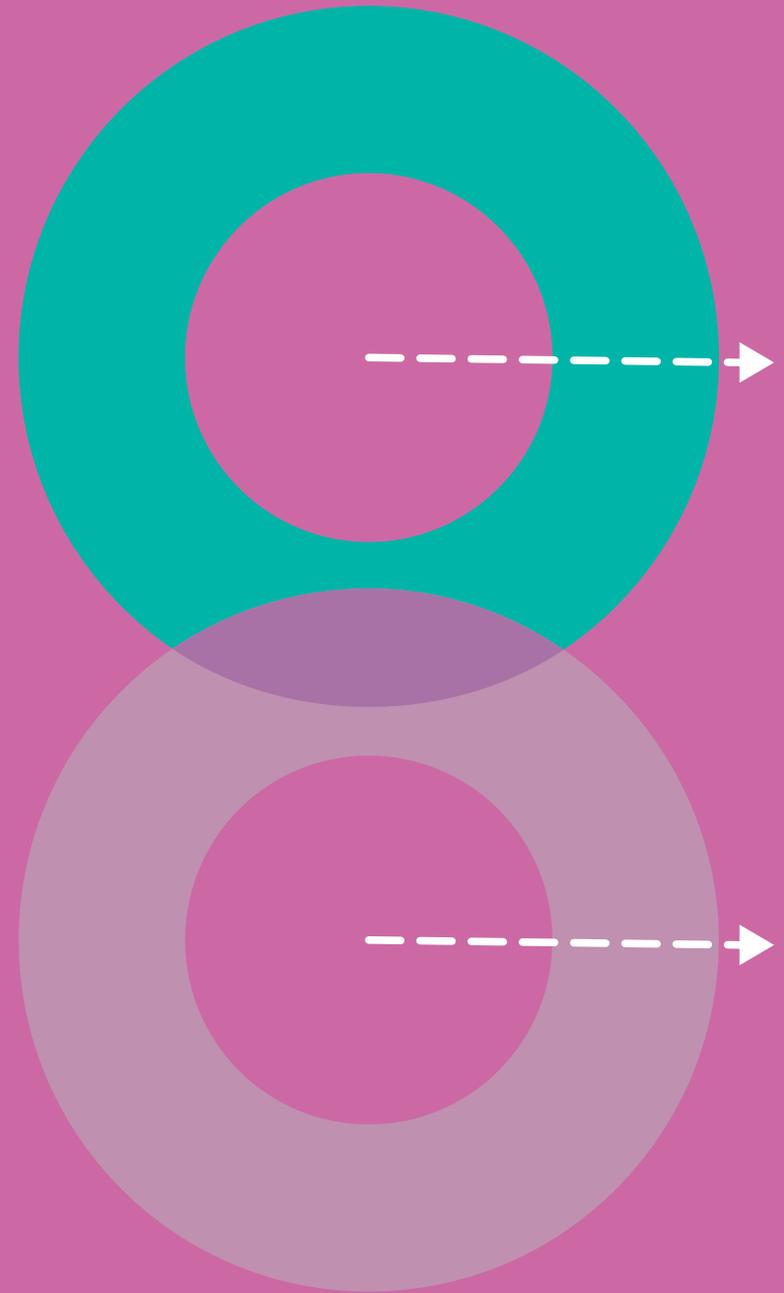


### Take responsibility for building business capacity

Develop or collect simple step-by-step guides on how to participate in municipal procurement and offer regular training sessions to local suppliers that cover the legal and technical aspects of your system. Publish all informational and guidance materials on your website. As you analyze typical mistakes, make sure they are properly communicated to businesses.  
(!) This is an opportunity to expand your local business markets to other regions — stimulate their participation in other regions' public procurement purchases.

# Step five of Mariupol's reform: Engaging citizens and civil society organizations

From the very beginning of its procurement transformation, Mariupol relied on support from civil society organizations and citizens. In this section, we will cover how the city partnered with CSOs to build an efficient and fair procurement system that meets citizens' needs.



## 5.1 Provide open and timely access to information

Citizens and civil society organizations have full access to procurement-related information. Mariupol ranks first in the [Ukrainian Transparency and Accountability ratings](#) [48], achieving the maximum score for the procurement component.

The city created a convenient and accessible [procurement section on its website](#) [49] that covers:

- A list of all procuring entities under its control;
- The annual procurement plans of municipal contracting authorities (quarterly, semi-annual, and three-year plans, if available);
- Procurement through international assistance/loans programs;
- Information about violations in the city's procurement;
- Links to all normative acts that regulate municipal procurement;
- Information about how procurement activities in the city are organized, supporting materials, and sample documents;
- Links to announced procurement procedures in the national e-procurement system;
- Announcements of market consultations and/or public discussions of certain high-value and complex procurements and concessions (in particular construction works) and information about the details and outcomes of these consultations and meetings;
- A library of model technical specifications;
- Justification for every procurement's estimated value and requirements.

In addition to this structured information, Mariupol regularly publishes related news and updates to keep citizens informed of the latest developments.

## 5.2 Partnering with civil society organizations

Many governments perceive civil society organizations as troublemakers who blame and shame them for corruption. In most cases, CSOs take the role of a watchdog, blowing the whistle when they see violations or manipulations with public funds.

In recent years, collaboration and co-governance approaches have enabled government partners to work with civil society organizations to solve certain challenges.

When city authorities partner with civil society stakeholders in procurement, there are four main benefits:

- 1. Better monitoring:** By taking advantage of civil society monitoring, the city can better identify shortcomings and prevent violations.
- 2. Better capacity:** CSOs can take responsibility for training buyers, businesses and citizens.
- 3. Raising awareness:** Partnering with civil society organizations can raise awareness and trust, such as through educational and advocacy campaigns.
- 4. Establishing trust:** Increased trust among city residents may be evident at election time. Residents benefit from a more inclusive governance model since it offers them avenues to have a say and highlight dubious public spending.

In 2016, Mariupol partnered with the NGO Civic Control to develop guides and regulations, conduct regular independent monitoring, and deliver dozens of capacity-building sessions to procurement officials, businesses, journalists, and citizens. Civic Control became an additional source of information and insight that helped achieve the transformation.

In 2017, Mariupol became one of the first cities to join the citizen monitoring portal Dozorro. Through a special mayoral decree, the city required all municipal contracting authorities to respond to all questions or comments posted on this portal within five business days. According to our interviewees, this has helped to identify gaps and shortcomings in procurement procedures and led to the re-advertising of tenders in cases where violations were serious.

### Participatory budgeting

In Mariupol, like many other Ukrainian cities, citizens can propose projects and vote on their favorite initiatives through a special Public Participation Budget [50]. The most popular initiatives are then funded through the city budget. The Tender Office conducts purchases for projects initiated by residents within the framework of this program e.g. upgrading a local playground with outdoor CrossFit equipment, purchasing and installing multimedia equipment for the maths classroom of the local school, creating a computer and IT academy for senior citizens and people with disabilities.

## 5.3 Communicating effectively with residents

While NGOs can have specialized expertise and understand the complex terminology and concepts associated with procurement, city authorities can't assume the same is true for ordinary city residents. They must tailor their communications and make them accessible even for those without expert knowledge of procurement. According to our interviewees, the most important elements are to:

- 1. Explain procurement in simple terms:** Procurement is complex, so cities should aim to explain key concepts in plain language. This can be done through public events, media campaigns, and ensuring reports and documents are publicly available. In Mariupol, an annual procurement report with results from the Tender Office is published on the City Council's website [51].
- 2. Invest in communication:** Information and advocacy campaigns can be effective ways to explain the importance of public procurement oversight and citizen involvement in public spending. Mariupol scores high in national rankings of transparency and public procurement, a fact that the city promotes in its outreach to increase support and public buy-in for reforms.
- 3. Hold educational events:** Mariupol holds educational events for young people in the form of presentations at higher education master's programs and open lessons and lectures on public procurement with the participation of municipal procurement professionals and NGO experts. The city explains the basic principles of procurement, why it is important for the students to be active citizens in relation to procurement, and the potential job opportunities that a career in procurement could lead to.

The involvement of NGOs in these activities is hard to overstate — they are in fact the main partners and drivers of this work.

## 5.4 Find ways to channel social energy into constructive action

Socially active citizens can help detect poor service delivery and collusion between suppliers and buyers. A good practice is to invite beneficiaries to participate in the process of doing the quality check for delivered goods and services, for example members of parent committees for school procurement [52], patient organizations for hospitals procurement, people with disabilities for infrastructure inclusivity [53], or members of the ecological community for landscaping services.

# Step five for your reform: Engage citizens and civil society

Don't look at citizens and CSOs as troublemakers — they are interested in efficient procurement and will support efforts to improve the process. Engaging citizens and civil society in procurement through monitoring allows city authorities to identify problems and prevent violations. Local governments can take their engagement further by communicating directly with citizens in close collaboration with civil society partners.

## Insights and recommendations:



### Provide open and timely access to information

Create a one-stop-shop section on the website dedicated to the city's public procurement, where interested citizens may find information about relevant regulations, annual procurement plans, information about the performance of the Tender Office, violations detected, and decisions.



### Partner with CSOs to improve your efficiency

Many CSOs have similar objectives - open and fair procurement that delivers the best value for money. Identify these organizations and don't be afraid to partner with them. They might have more capacity, tools, and other resources (including financial) to support your needs (for example to develop analytical tools, conduct research, or deliver training).

(!) Co-governance works in the short term. Be sure to develop your own capacity if you rely on CSOs for some tasks.



### CSOs can help to secure resources and technical support

A lot of donor-funded projects are implemented through CSOs. All funders are interested in sustainable impact. Partner with CSOs to develop joint projects that can be implemented through grant programs and benefit your procurement transformation.



### Open communication with citizens will increase trust and political support

Be open, simple, and creative in your communication with citizens. Collect their feedback and report back on how issues have been addressed. This may require additional effort but the results will pay off during the next elections.

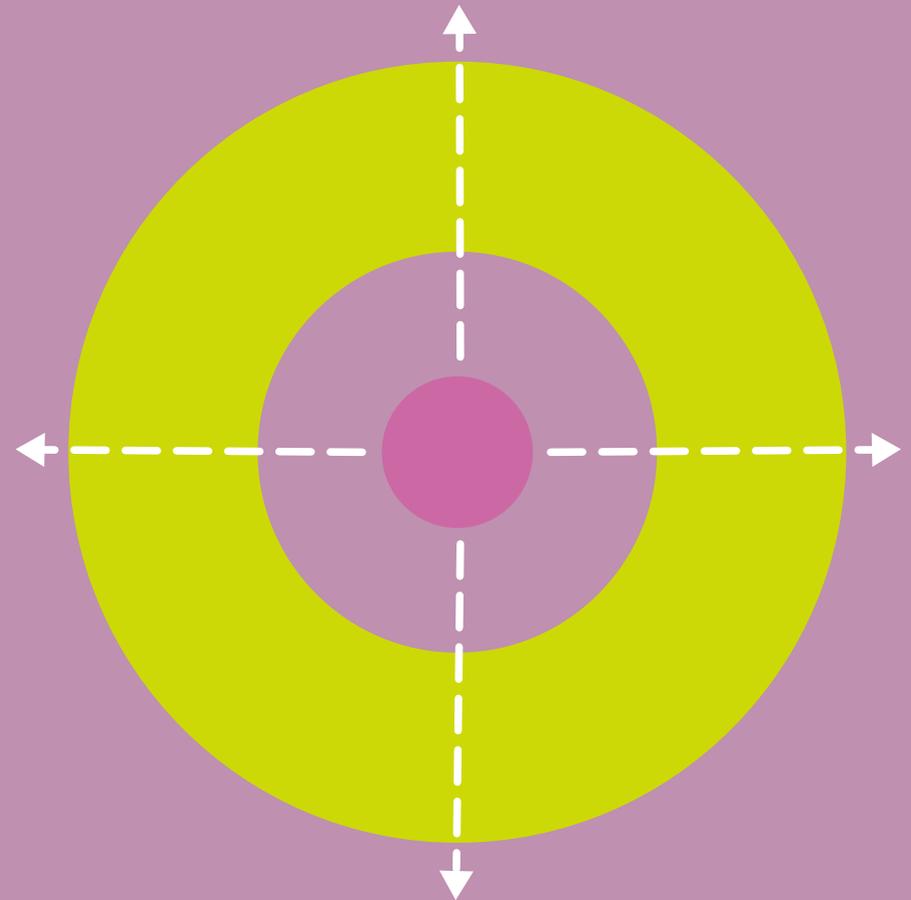


### Cultivate the talent of tomorrow today

Engaging students and young people can entice some to consider a career in procurement or municipal government and instill an understanding of the importance of procurement.

# Step six of Mariupol's reform: Evaluating procurement reform, key results, and future directions

In this final section we turn our attention to the key performance indicators (KPIs) Mariupol uses to evaluate its procurement reform, the results and savings it has achieved, and upcoming priorities to further improve the procurement process.



## 6.1 Monitoring, evaluation, and analysis of gains

Mariupol uses a set of indicators to understand the efficiency and effectiveness of the city's procurement in general, and the work of the Tender Office as a coordinating unit in particular. The Annual Municipal Procurement Report, included in Annex 2, contains sample indicators that are tailored to the context of municipal procurement.

Since 2017, the Tender Office has published an annual public report which includes an overview of the most important indicators and a comparison with the results from the previous year [54, 51]. In Mariupol, the overall efficiency of municipal procurement is assessed through the indicators in the table below.

### Key Performance Indicators (KPIs)

Year	Total annual savings*	Canceled purchases	Unsuccessful purchases
2016	US\$ 4 million (13%)	10.1%	23.3%
2017	US\$ 6 million (10%)	3.4%	12.9%
2018	US\$ 6.5 million (6%)	3.0%	12.8%
2019	US\$ 9.5 million (5.1%)	3.8%	10.5%
2020 year of COVID-19 emergency	US\$ 13.3 million (8.3%)	5.3%	10.1%

\*Savings are calculated as the difference between the estimated value and the contracted value

Money saved is money earned. In Mariupol, the savings on procurement are rerouted to other, critical activities. Planning for savings at the end of the year

(but wisely not banking on a specific amount at the start of the year), the Mariupol City Council selects a number of priorities annually to which savings from procurement (when available) are directed. In 2016-2017, all procurement savings were collected and directed to municipal transport purchases, which amounted to 20 buses and 15 trams.



### Example: saving money on fuel procurement

A good example of savings for above-threshold high-value procurement in Mariupol was a purchase of 680,000 liters of diesel through open bidding by one of the municipal enterprises. Seven bidders competed to supply the diesel through a very dynamic e-auction. The value of the winning contract was just under US\$630,000, while the initial estimated value was US\$765,000 — achieving savings of about 19%.

In the five years from 2016 to 2020, the total savings on all purchases amounted to US\$40 million. During the same period, savings on under-threshold low-value purchases equaled US\$12 million (27% of total savings). Considering that the city's total expenditure in 2020 was US\$216 million, this represents a real boon to the city's budgets. The annual salary expenditure for all employees at the Tender Office in 2020 were roughly US\$75,000, a mere 0.6% of the annual savings on municipal procurement.

### Budget expenditure and purchases, 2015 to 2020 [55, 56]

Year	Expenditure	Purchases
2015	US\$176 million	US\$86 million (49% of Mariupol's expenditure)
2020	US\$216 million	US\$120 million (56% of Mariupol's expenditure)

Savings on under-threshold purchases decreased steadily from 15.6% to 10.5%, indicating that the efficiency of the planning and procurement process has improved. In some areas savings were as high as 40%. Savings on above-threshold high-value contracts decreased over this period from 12.6% to 6.8% of the estimated initial value. This is primarily due to thorough pre-tender market analyses and more accurate calculations of the estimated initial value, which is published in tender notices.

Finally, as a tangible side-effect of the city's public commitment to transparency and prudent fiscal management, the municipality has attracted US\$166 million in international financial assistance (loans) [57].

### Example: saving money on paper forms

In 2020, the Department of Social Protection used a simplified, under-threshold e-auction procedure to purchase paper forms. The initial estimated value was US\$2,000. Quite unexpectedly, 12 bidders participated despite the relatively low value of the contract. The winning offer amounted to just US\$650, and the savings equaled 67%.

## 6.2 Non-financial metrics of success

The efficiency of the city's procurement is not only due to the work done by the Tender Office, but also the municipal contracting authorities and city management. Therefore, in addition to procurement efficiency indicators, it is advisable to consider the results and steps taken to improve the management of municipal procurement, which in Mariupol's case includes the Tender Office.

A comparative analysis based on the Tenders Office's annual reports allows us to summarize the City Council's key achievements since 2016, most notably:

- 1. Better planning and estimation of value:** The city now plans purchases and calculates estimated initial value more clearly and adequately to the needs and market situation.
- 2. Better documentation:** The quality of tender documentation has increased and become much easier to understand for businesses;
- 3. Staff professionalization:** The qualifications of procurement staff at municipal contracting authorities have also noticeably increased. This is confirmed, in particular, by a significant decrease in the percentage of purchases that failed or were canceled. In 2016, 23% of purchases failed, but in 2020 this number had fallen to 10%. Likewise, the number of canceled purchases (purchases that had to be repeated due to inaccuracies) fell by almost half. While one in ten purchases had to be repeated in 2016, in 2020 it was just one in twenty.

Conducting focus groups or surveys with suppliers and citizens is a good practice to measure improvements in the procurement function. It can also reveal challenges that businesses face and help develop strategies to make the procurement process more efficient.

## 6.3 Data skills of procurement staff

According to our interviewees, two factors are of particular importance to evaluate the effectiveness and efficiency of procurement:

1. The availability and access to analytical tools to work with procurement data, as well as free and open access to all relevant procurement data;
2. The skills and abilities to use these tools among relevant municipal employees.

Ukraine is in an excellent position to carry out this analytical work as all relevant information is readily available through the Prozorro electronic procurement system [33]. In addition, there are a number of informative and analytical tools for procurement research and analysis.

The primary and most comprehensive of these is the analytical module [BI.Prozorro](#) [13], which is also used by specialists at the Tender Office, and which allows users to sample and analyze relevant information, processes, and procurement data comprehensively using many different criteria, indicators, and filters.

Mariupol partners with Transparency International Ukraine [to deliver training sessions](#) [58] in order to increase the capacity of procurement staff to use business intelligence tools in their day-to-day operations. The organization also provides a set of [detailed instructions](#) [59] on how to use the tool, and runs a [Facebook group](#) [60] to facilitate discussions between more than 3,500 users of analytical tools.

## 6.4 Mariupol's future reform plans

Mariupol and the Tender Office regularly track their progress. Monitoring report templates and defined KPIs have helped to define upcoming priorities. The following are some of the city's goals:

- 1. Develop and implement a resource planning system:** Proper stock management for an efficient use of municipal resources is still a challenge for the city, making planning more complicated. Better resource management will also lead to more sustainable procurement.
- 2. Make the annual planning as detailed as possible to simplify work during the year:** Currently, the general procurement plan of the city is drawn up for a year, and a more detailed plan is prepared for each quarter (developed and agreed in the current quarter on the eve of the next quarter). In the future, the city has decided to do its detailed planning once a year to smoothen out the procurement process.

- 3. Reduce the number of complaints lodged against municipal contracting authorities:** The percentage of complaints is currently stable, and some municipal contracting authorities have not adjusted their practices based on the decisions of the Antimonopoly Committee of Ukraine (AMCU), the national procurement complaints review body. Complaints mainly concern the contents of tender documents and rejections of tender offers. In 2021, the Tender Office established the practice of analyzing all complaint decisions and preparing a summary. The report is sent to each municipal contracting authority so that they don't repeat their mistakes and similar cases don't reach the AMCU again.
- 4. Ensure professionals with specialized knowledge and fair compensation are responsible for procurement purchases:** This is about transferring responsibility for organizing all procurement procedures from tender committees to trained and authorized professionals and ensuring compliance with the Tender Office's remit to approve new procurement hires, initiate disciplinary proceedings and assign bonuses for procurement personnel.
- 5. Reduce the number of procedures that result in bidders being disqualified by 30%:** This refers to proposals that are rejected for not complying with technical or qualification requirements. Municipal contracting authorities rarely explain in detail the reason for disqualifying bidders, so businesses often repeat the same mistakes in subsequent tenders. This leads to more disqualifications, and potentially, the whole bidding process being canceled.
- 6. Establish centralized procurement:** The aim is to further centralize procurement and procurement financing and to place the responsibility with departments rather than subordinate institutions. This primarily applies to the Department of Health (and its subordinate medical institutions) and the Department of Education (and its subordinate pre-schools and schools).

# Step six for your reform: Measure, adapt, and continue your procurement transformation

Change is hard and progress is never linear. There will be setbacks and challenges so it is important to be agile, have permission to experiment, and measure and adapt your reforms. A Monitoring, evaluation, and learning (MEL) plan will help you track the progress of the reform against key outcomes, such as articulating goals, legal reforms, data publication, data use, or citizen participation.

## Insights and recommendations:



### You can't manage what you can't measure

Procurement evaluation at the city level should include not only quantitative/cost indicators but also the management of procurement at the local level.



### Develop the data analysis skills of your procurement staff

As most countries have moved towards e-procurement, the volume of available data has grown rapidly. All procurers should be trained to work with data processing tools, which will be especially useful to specialists in municipal procurement coordination units.



### Articulate your strategy and plans for further development

To further improve the quality and implementation of future procurement reforms, all city authorities should prioritize in the short-term explaining their plans to local businesses, NGOs, and citizens, and engage them in the conversation.



### Set new standards of accountability

Preparing and publishing an annual report on municipal procurement can boost accountability and transparency. This report should ideally allow for indicators to be compared with data from previous years.

# Annex I

## Model Municipal Public Procurement Reform Roadmap

Common "universal" problems, the solution of which is aim of reforms on municipal procurement:

- Low quality of planning and low efficiency of procurement (for example, large % of failed tenders).
- Inefficiency in the use of budget funds and funds of municipal companies (financial losses due to purchases at prices above market).
- Low quality of goods/services received through public procurement.
- Low trust of businesses in public procurement (and consequently low competition).
- Corruption.
- Lack of risk management in procurement.
- Lack of a focal point or centralized approach to municipal procurement management and control.

- Lack of knowledge and skills in procurement and contract management.
- Violations and errors in procurement process.
- Weak communications of municipal procurers with the local community and local businesses.

The proposed Roadmap is an example with generalizing common elements, but each municipality should complete the Roadmap based on its own specific circumstances, legal and economic situation, and political local configuration in a particular period of time. The road map is not an invariable dogma - it is a route map.

Funds for the implementation of the roadmap should be allocated in the local budget. Besides that, donor funding and technical support might be an option for the institutionalization of best practices.

## Institutional development and control

Activities	Responsible (units, persons)	Expected results	Goals
<p>Functional audit (data analysis and surveys) of the existing procurement practices of subordinated procuring entities at the municipal level (for the last 3 years), which should cover at least the following issues:</p> <ul style="list-style-type: none"> <li>• How many contracting authorities are there in the municipality;</li> <li>• How procurement planning is organized;</li> <li>• Proportion of small-value (under-threshold) purchases and high-value purchases annually within each municipal contracting authority;</li> <li>• The most popular (in terms of numbers and values) procurement goods (top-10 categories), works (top-10 categories) and services (top-10 categories) purchased by municipal contracting authorities;</li> <li>• How many people, on average, are engaged in procurement in all municipal contracting authorities;</li> <li>• Number of early terminated contracts, the number of contracts to which significant changes were made;</li> <li>• Complaints, scandals, and claims of regulatory/law enforcement agencies and their results;</li> <li>• Collect initial feedback from buyers and suppliers;</li> <li>• Other activities might be inspired by the indicators listed in Annex 2 of the Guide.</li> </ul>	<p>Independent external consultants</p> <p>External Auditors</p> <p>Internal audit and control unit</p> <p>Tender Office</p>	<p>Report about the functional status of municipal procurement and concrete recommendations for reforms based on conducted audit</p>	<p>Prepare, publish, and discuss the Report and draft recommendations in form of a Roadmap</p>
<p>Establishment of a special unit, responsible for coordination and control over public procurement of all municipal contracting authorities (i.e. Tender Office), with adequate rights and powers;</p> <p>The functions and powers of such unit may be following:</p> <ul style="list-style-type: none"> <li>• Approval of annual procurement plans of municipal contracting authorities (especially regarding the proposed procurement procedures and possible consolidation of procurement);</li> <li>• Making proposals to the city administration to combine several identical (similar) procurements of different entities into one tender with possible lotting and/or framework agreement;</li> </ul>	<p>City Major and City Council</p>	<p>A special procurement coordination unit, subordinated and reporting to the city mayor and/or city council is established</p> <p>A Roadmap of municipal procurement reform is approved (updated with the participation of newly</p>	<p>Institutionalize and effectively perform a coordination function in procurement reform (changes management, training, centralization of procurement operations, normative framework etc)</p> <p>Increase procurement efficiency, in particular,</p>

Activities	Responsible (units, persons)	Expected results	Goals
<ul style="list-style-type: none"> <li>• Verification of draft tender documents, primarily on technical requirements, qualification requirements, draft contract to avoid unnecessary restrictions of competition;</li> <li>• Generalization of the best procurement practices at the municipal level (framework agreements, centralization of procurement) and dissemination of these practices among municipal contracting authorities;</li> <li>• Standardization of policies/approaches for quality management, payment periods, bank guarantees, usage of non-price criteria etc;</li> <li>• Methodological assistance to all municipal contracting authorities;</li> <li>• Centralized organization of training of procurement staff of municipal contracting authorities;</li> <li>• Centralized organization of communications with the market and the local community for regular informing and receiving feedback on municipal procurement;</li> <li>• Other functions described Section II, III, and IV of the guide</li> </ul>		<p>established/defined special procurement coordination unit)</p>	<p>raise of competition and reduction of failed procurements (canceled, appalled, those with terminated contracts)</p>
<p>Introduction of systematic monitoring and control over municipal procurement, which may include:</p> <ul style="list-style-type: none"> <li>• Development of the comprehensive public procurement monitoring methodology;</li> <li>• Preliminary drafting of annual plans and drafting of standard tender documentation for municipal procuring entities;</li> <li>• Establishment of a municipal commission to review complaints from businesses and citizens regarding restrictions of competition, procurement procedures and contracts performances, late payments, etc;</li> <li>• Defining clear criteria for awarding bonuses for efficient procurement and, accordingly, imposing disciplinary liability for deficiencies in the work of procurement staff of municipal contracting authorities;</li> <li>• Semi-annual reporting by heads of municipal procuring entities on the procurement of the organizations they lead;</li> <li>• Regular analysis of procurement results in compliance with legal regulations (correctness of procurement procedures) and economic context (validity of the calculation of estimated value, justifications of contract values, analysis of the contract amendments, validity of price changes in the contract (in case of such changes));</li> </ul>	<p>City Major Tender Office Internal audit and control unit</p>	<p>An efficient control function is established</p> <p>A risk management system is established</p> <p>Analytic materials on the procurement performance are presented to the city mayor and city council.</p>	<p>Increase procurement efficiency, in particular, raise of competition and reduction of failed procurements (canceled, terminated contracts)</p> <p>Reduce a number of errors and violations and, respectively, losses of city funds.</p>

Activities	Responsible (units, persons)	Expected results	Goals
<ul style="list-style-type: none"> <li>Preparation of semi-annual monitoring reports on the compliance and efficiency of municipal procurements.</li> </ul>			
<p>Continuous improvement of knowledge and skills of purchasing staff of municipal contracting authorities:</p> <ul style="list-style-type: none"> <li>Public procurement training for all municipal contracting authorities (using existing or developing own online courses);</li> <li>Introduction of professional annual certification and testing of knowledge of procurement staff of municipal contracting authorities;</li> <li>Conducting regular (quarterly, monthly) seminars on various topics/aspects of procurement (features of procurement of works, use of e-catalogs, preparation of contracts, typical violations and control in the field of procurement, etc.);</li> <li>Development of simple guides / supporting materials on various practical aspects of procurement;</li> <li>Quarterly (semi-annual) reviews of problematic practical issues and recommendations for their elimination and distribution of these reviews to all municipal contracting authorities;</li> <li>Introduction of the practice of exchanging experience with other municipalities on local procurement management.</li> </ul>	<p>Tender Office</p> <p>Heads of municipal contracting authorities</p>	<p>Guiding materials for procurement staff and suppliers are developed.</p> <p>Training programs/centers to regularly increase the capacity of involved staff are developed</p> <p>All staff involved in procurement is trained and certified.</p>	<p>Increase the professionalism of staff involved in public procurement</p>
<p>Search and involvement of international donor/non-governmental actor/ technical assistance partner for the implementation of the Roadmap</p>	<p>Tender Office</p> <p>International relations unit</p>	<p>Agreements with donors/support partners are signed</p>	<p>Secure the financial and expert resources for reform implementation</p>
<b>Development of local normative regulation (additionally to mandatory national legislation)</b>			
<p>Development of the amendments to the local municipal procurement regulation acts.</p>	<p>Legal unit</p> <p>Tender Office</p>	<p>Drafts of local regulations prepared and transferred for ratification by the city council.</p>	<p>Introduce standard and efficient processes</p>

Activities	Responsible (units, persons)	Expected results	Goals
<p>Rules of preparation and performance of procurement contracts of municipal contracting authorities</p> <p>Samples of the most commonly used contracts</p>	<p>Legal unit</p> <p>Tender Office</p>	<p>The unified approach to contract work and the use of standard contracts by all municipal contracting authorities are introduced.</p>	<p>Reduce the time needed for the conclusion of contracts.</p>
<p>Rules for contract-related claims management</p>	<p>Legal unit</p> <p>Tender Office</p> <p>Internal audit and control unit</p>	<p>Unified approach to contract-related claims management is adopted</p>	<p>Reduce a share of unperformed contracts or contracts with delayed performance.</p>
<p>Rules for acceptance of delivered goods (works and services) and for stocks management</p>	<p>Legal unit</p> <p>Tender Office</p>	<p>Introduced practices that ensure receiving of goods (works and services) of appropriate quality in time conditions set by contracts.</p>	<p>Reduce a number of claims of contractual parties during the performance of the contracts.</p>
<p>Payments rules</p>	<p>Financial unit</p> <p>Tender Office</p>	<p>All payments are properly regulated and there are no early or late payments</p>	<p>Improve the financial discipline and municipal cash flows</p>
<p>Rules for the preparation and application of model (standard) technical specifications for most regular procurement</p>	<p>Tender Office</p> <p>Municipal contracting authorities</p>	<p>Introduced practices that ensure receiving of goods (works and services) of appropriate quality with better prices.</p>	<p>Increase the quality of goods/works/ services            Increase competition            Reduce a number of requests on clarifications of tender documents and/or a number of complaints.</p>
<p>Other regulations may be necessary for the implementation of the Roadmap</p>	<p>City Major, Tender Office and Legal unit</p>	<p>Execution of adopted decisions</p>	<p>Execute adopted decisions</p>

## Interaction with businesses and civil society

Activities	Responsible (units, persons)	Expected results	Goals
<p>Creation and constant updating of a separate section on public procurement at the web-portal of the municipality, where the following information may be published:</p> <ul style="list-style-type: none"> <li>• annual (quarterly, semi-annual, three-year - if available) procurement plans of all municipal contracting authorities;</li> <li>• links to announced procurements in the national e-procurement system;</li> <li>• information materials on the organization of procurement activities in the city, supporting materials and sample documents;</li> <li>• annual (quarterly, semi-annual - if available) procurement performance reviews/reports;</li> <li>• announcements of market consultations and/or public discussions on certain high-value and complex purchases and concessions (in particular, construction works) and information on the course and results of such consultations and meetings;</li> <li>• list and texts of regulations;</li> <li>• library of model/standard technical specifications of procurement;</li> <li>• create a feedback channel for both anonymous and barefaced complaints, for example, an online chat service (help desk) for prompt communication with citizens and businesses, for submitting complaints and suggestions, etc.</li> </ul>	<p>City Major Tender Office  Public Relations/ Communications unit</p>	<p>Introduced a powerful information channel of interaction and feedback with business and civil society, which allows to increase trust in the city authorities in general and regarding municipal procurement in particular.</p>	<p>Introduce a clear and useful information and communication channel for procurement staff, business, and civil society</p>
<p>Annual municipal procurement conference at the beginning of a year to present and to discuss planned city procurements.</p>	<p>City Major Tender Office Public Relations/ Communications unit</p>	<p>A practice of regular open communication with stakeholders is introduced</p>	<p>Encourage and increase business interest in future procurement of the city</p>
<p>Educational and informational events for the city's youth (high school, higher educational institutions (in case of presence in the city)):</p> <ul style="list-style-type: none"> <li>• open lessons and lectures on public procurement with the participation of procurement professionals of the municipality, experts of civil society organizations;</li> <li>• initiation of training courses, programs on public contracts by local higher education institutions.</li> </ul>	<p>Tender Office  Department of education  Public Relations/ Communications unit</p>	<p>Partnership with high schools and higher educational institutions established</p>	<p>Increase interest in public procurement and support to the municipal procurement reform  Involvement of young people in the life and development of the city</p>

# Annex 2

## Recommended sections and indicators for an Annual Public Municipal Procurement Report

Preparation and publication of the Annual Municipal Procurement Report on the city's website is an excellent example of the implementation of the principles of openness and accountability of local authorities, which accordingly increases the confidence & trust of city residents and businesses.

### Section 1. Statistical data about municipal procurement - For reporting year and previous years (recommended for comparison)

It is important to conduct an initial diagnosis of the **performance of a procurement function using public procurement data**, providing key information on different aspects of the contracting process. It is also crucial to regularly track the progress of key indicators to understand how and where your system is moving.

Suggested indicators describe the level of competition and the internal efficiency of the processes, and signal potential risks and areas of improvement.

Having a broad understanding of the procurement market can help procuring agencies design better tenders, promote effective

competition among suppliers and obtain a better value for money for the goods and services they procure. They can also be used by civil society organizations, academia or journalists interested in analyzing procurement markets.

For most indicators, it is important to provide details on goods/works/services.

For more comprehensive guidance on how to use contracting data-driven KPIs read our guide - [https://bit.ly/OC\\_KPIs\\_Guide](https://bit.ly/OC_KPIs_Guide) [61]

*It is useful to track the dynamics of the indicators during the last 2-3 years.*

*(!) Note - this is not an exclusive list of indicators and they serve as an example.*

#### 1.1. Volume of municipal procurement

- Number of buyers
- Number of bidders
- Number of suppliers
- Number of announced tenders/lots
- Total value of municipal procurement
- Share of the value of municipal procurement in the municipal budget expenditures

#### 1.2. Types of procedures and contracts

- Number and share of each applied procurement method and the value of contracts concluded for each of them
- Top 10 CPV (goods\services) categories by expected value [62]
- Share of goods, works, and services in the total volume of purchases by value (as a percentage)

#### 1.3. Competition

- Average and median number of tenderers
- Market concentration
- Number of unique suppliers by item
- Number of unique suppliers by entity

	<ul style="list-style-type: none"> <li>• Top 10 suppliers by value, number of awards, and share of municipal contracts</li> <li>• Number and share of disqualified bids</li> <li>• Share of new bidders in a reporting period in relation to the total number of bidders</li> </ul>
1.4. Efficiency	<ul style="list-style-type: none"> <li>• Average duration (in days) of the tendering period</li> <li>• Average duration (in days) of the award period</li> <li>• Proportion of canceled tenders</li> <li>• Proportion of contracts with savings and overruns</li> <li>• Share of canceled procedures and the share of each reason for such cancellation (as a percentage)</li> <li>• Share of unsuccessful procedures</li> <li>• Number of complaints received</li> <li>• Number and share of confirmed complaints</li> </ul>
1.5. Evaluation criteria	<ul style="list-style-type: none"> <li>• Share of tenders for which the evaluation was carried out only by the price criterion (as a percentage)</li> <li>• Share of tenders for which the evaluation was carried out according to multi-criteria (as a percentage)</li> <li>• Average number of criteria in cases of evaluation by many (multi-) criteria: general, by categories of items</li> </ul>
1.6. Suppliers performance	<ul style="list-style-type: none"> <li>• Number and share of suppliers who failed with delivering their obligations</li> <li>• Number and share of blacklisted suppliers</li> <li>• Number and status of contracts claim procedures (including transferred to courts/enforcement agencies)</li> </ul>
1.7. Certain categories of bidders	<ul style="list-style-type: none"> <li>• Number and value and percentage of contracts concluded with local businesses</li> <li>• Number and value and percentage of contracts concluded with non-local businesses</li> </ul>

	<ul style="list-style-type: none"> <li>• Number and value and percentage of contracts concluded with small and medium-sized businesses</li> <li>• Number and value and percentage of contracts concluded with companies of the "sensitive group"<sup>1</sup> (see footnote)<sup>1</sup></li> </ul>
1.8. Contracts performance	<ul style="list-style-type: none"> <li>• Number and share of contracts with overruns</li> <li>• Number and share of contracts with amendments (with disaggregation of types of amendments)</li> <li>• Number and share of early terminated contracts</li> <li>• Number and share of contracts with claims from buyers</li> <li>• Number and share of contracts with claims from suppliers</li> </ul>

## Section 2. Management of municipal procurement

It is important to critically review your results and inform stakeholders about your progress, achievements, and challenges.

2.1. Activity of procurement coordinating unit	<ul style="list-style-type: none"> <li>• Information about monitoring activities (number of monitored procedures, number and value of the identified violations, most common conclusions/violations and possible reasons/explanations, etc.)</li> <li>• Reform Road Map implementation progress update</li> </ul>
2.2. Normative regulation	<ul style="list-style-type: none"> <li>• Description of the regulatory decisions of the city authorities regarding the city procurement with the corresponding justification of the adoption, content and expected/achieved effect/goals.</li> </ul>

<sup>1</sup> The "sensitive group" includes the following firms: 1) founded and run by women, 2) founded and run by young people under the age of 25, 3) more than 50% of the firm's staff are people with disabilities.

2.3. Complaints review (including cases if review mechanism exists at city level)

- Number of considered complaints (total, by procurement items (goods/works/services), by type of procedure, by industries (energy, health care, etc.) at the following levels:
  - at the level of municipality,
  - by the National Public Procurement Review Authority.
- Description of court cases progress (if any)

2.4. Educational and informational activities

- Description of training activities
- Information about conferences / round tables
- Prepared and distributed thematic guides
- Analysis of the content of relevant publications in the media and activities of NGOs related to municipal procurement
- Description of the conducted pre-tender market consultations
- Information about educational and public events with the participation of the procurement coordination unit
- Information about national and international experience exchange

### Section 3. Conclusions and plans for next year(s)

Generalized conclusions on each section including problems faced and future plans.

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