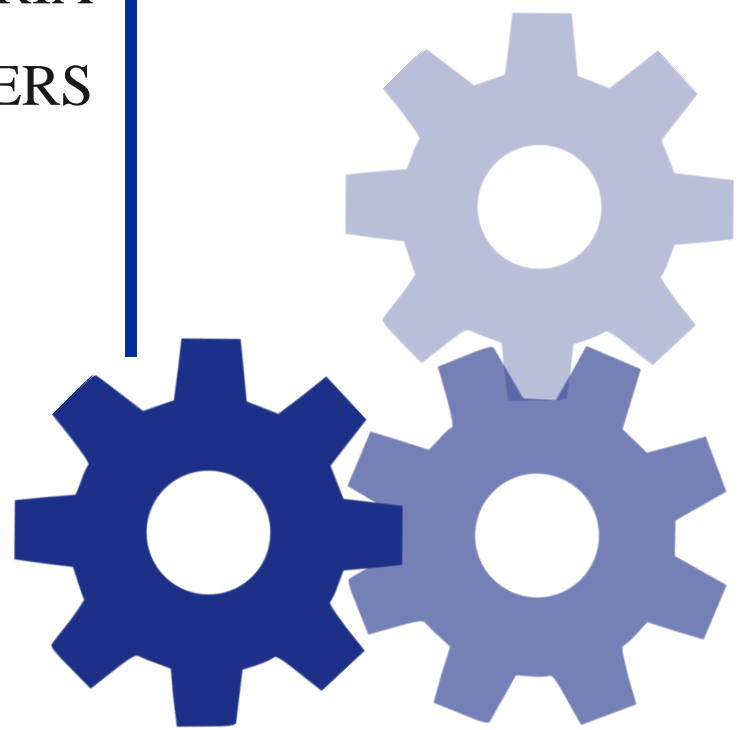


# BASICS

OF MEAT CRITERIA  
FOR BEGINNERS

Iceland   
Liechtenstein  
Norway grants





## Acknowledgment

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For the period of 2014 - 2021, the program *Good Governance, Accountable Institutions, Transparency / Cross-Border Cooperation* was announced, the aim of which is to increase integrity and accountability within the public administration. It includes two program areas and orientations, which also include the Public Procurement Office project entitled *Responsible Public Procurement*, the primary objective of which is to intensify the application of the value for money principle.

In this way, we would like to thank for a help in implementing the *Responsible Public Procurement project*, which is implemented under the second program area and which is financially supported by European Economic Area Grants (hereinafter "EEA Grants"), as well as from resources of the Slovak state budget in the total amount of 1,500,000 €. We would also like to thank the Organization for Economic Co-operation and Development for co-operation and sharing of their knowledge in this project output.



# Contents

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Introduction .....	4
1 Legal definition .....	5
1.1 Definitions .....	5
1.2 BPQR .....	<b>Chyba! Záložka nie je definovaná.</b>
1.3 LCC .....	<b>Chyba! Záložka nie je definovaná.</b>
1.4 The lowest price .....	8
2 Why use MEAT criteria .....	10
3 Basic elements of MEAT criteria .....	13
3.1 Subcriteria .....	13
3.2 Relative weights .....	14
3.3 Formula .....	16



# Introduction

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The *Responsible Public Procurement* project aims to contribute to a more efficient public procurement system, in particular by strengthening the application of the principle of effective usage of value-for-money principle, including increasing the application of the most economically advantageous tender criteria. Support in the change of thinking of contracting authorities or entities will be implemented within the project through the development of professional methodologies, organization of active trainings and workshops directly with the entities that represents the target group on which the whole project focuses.

One of the goals of the project is to educate contracting authorities or entities, but also other professional and non-professionals through the publication of documents and methodologies. However, in order to become an expert in a field, one must always start by building on solid and clear foundations.

The document you hold in your hands is the first and basic methodology that contains the legal definition of the criteria for the tender evaluation, especially the MEAT criteria, their advantages and positives of the application, or the basic elements that make up the MEAT criteria.



# 1 Legal definition

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## 1.1 Definitions

Contract award criteria are an important and one of the basic and indispensable elements of any contract notice. They are chosen by the contracting authority or entity themselves and serve as a selection of tenderers on the basis of the tenders submitted by them in accordance with criteria which represent a list of facts relevant to the contracting authority or entity in relation to the object of the contract. With the right settings, they help the awarding authority in selecting the successful bidder and supplier of the procured goods, services or construction works.

Act no. 343/2015 Coll. on Public Procurement and on Amendments to Certain Acts (hereinafter also referred to as the “Public Procurement Act”), discusses the criteria for the evaluation of tenders in the provisions of § 44. In the conditions of the Slovak legal system, it is possible to set one of three types of criteria - the best price-quality ratio, costs using a cost-effectiveness approach, especially life-cycle costs and the lowest price.

In principle, however, the application of any of the above options must at the same time respect the objectivity of their determination, the observance of the basic principles of public procurement in the provisions of § 10 para. 2 of the Public Procurement Act, namely the principle of equal treatment, the principle of non-discrimination of economic entities, the principle of transparency, the principle of proportionality and the principle of economy and efficiency. And also, in accordance with the provisions of § 44 par. 1, tenders shall be evaluated on the basis of objective criteria for the evaluation of tenders, which must be non-discriminatory, pro-competitive and related to the contracts in question, throughout the duration of the contract, in order to determine the most economically advantageous tender for the contracting authority and the contracting entity.

## 1.2 The best price-quality ratio

**The criterion of the best price-quality ratio** falls within the European concept of public procurement into the group of so-called MEAT criteria (Most economically



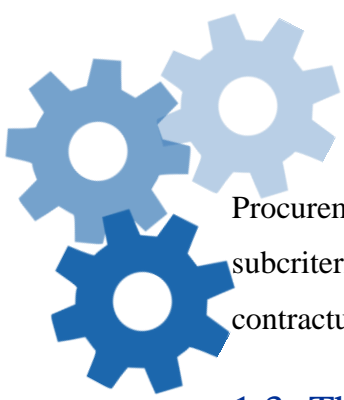
advantageous tender) and in the light of Directive 2014/24 / EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18 / EC (hereinafter "Directive 2014/24") are among the preferred methods, or criteria for the evaluation of tenders submitted.

This criterion is based on an assessment of the actual needs of the contracting authority or entity in relation to the object of the contract and the purpose to be achieved by it. The contracting authority or entity chooses subcriteria to which it assigns different weights reflecting its need. The purpose of the MEAT criteria is to identify the tenderer whose tender represents the best value for money. These subcriteria can in principle be divided into two main categories, namely cost criteria and non-cost criteria.

It follows from the nature of the naming of the criterion that the cost criterion is a price that can be fixed, or in the form of costs. On the other hand, there are non-cost subcriteria, which can be described as the basis and essence of the application of this type of criterion for tender evaluation.

The Public Procurement Act states that the best value for money will be assessed on the basis of price or cost and other criteria which include qualitative, environmental or social aspects related to the object of the contract and which are in particular quality including technical merit, aesthetic and functional characteristics, accessibility, solutions suitable for all users, social, environmental and innovative characteristics, trading and its conditions, organization, qualifications and experience of employees intended for perform the contract or concession contract, if the quality of these employees may have a significant impact on the level of performance, warranty service, post-warranty service, technical assistance, delivery conditions, such as delivery date, delivery method, delivery time or completion date, in the case of defense and security contracts as well as security of supply, interoperability and operational characteristics.

It should be noted that the subcriteria specified in the act are only of a general and recommendatory nature, they cannot be taken strictly by analogy and other quality criteria can be set in compliance with the basic principles of public procurement and the criteria related to the object of the contract. On the other hand, however, the Public



Procurement Act exhaustively sets out the facts that cannot be determined as subcriteria and namely- the share of subcontracting and the institutes providing contractual performance.

### 1.3 The life-cycle costing

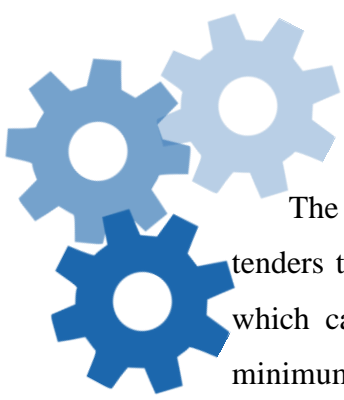
The contracting authority or entity should choose **a cost-based tender evaluation using a cost-effectiveness approach, in particular life-cycle costing**, where it is assumed that the financial contribution to the object of the contract will not consist only of initial or one-off investment.

The Public Procurement Act in the provision of § 2 par. 5 letter (k) defines life cycle as "*all successive stages of a product, construction or provision of a service such as research and development, industrial development, production, repair, modernization, modification, maintenance, logistics, training, testing, withdrawal and disposal*". The above list of possible costs associated with the acquisition of the object of the contract can be divided into several complete parts, namely the costs:

- related to the acquisition,
- for use,
- for maintenance,
- to end lifetime.

The life-cycle costs can be either “one-off” costs or “recurrent” costs. One-off costs are those that are paid only once with the acquisition of the requirement being procured, such as initial price, purchase and installation costs, initial training or disposal costs. Recurrent costs are those that are paid throughout the life cycle of the requirement being procured. They depend on its longevity and they normally increase with time. Recurrent costs include service and maintenance charges, repairs, consumables, spare parts and energy consumption.

As in the case of the application of the previous criterion of the best value for money, in this case it is necessary to establish a method by which the costs are calculated in a way that is non-discriminatory, or it does not distort competition in any way and is also traceable in terms of transparency.



The act also states in relation to the two mentioned criteria for the evaluation of tenders that it is necessary to determine the relative weight of each of the criteria, which can be expressed e.g. also by specifying an interval with the appropriate minimum and maximum margins. It is also important to state that the chosen type of criteria for the evaluation of tenders according to the provisions of § 44 par. 3 of the Public Procurement Act, as well as the subcriteria and its assigned relative weights according to the requirements of the contracting authority or entity, which are set in relation to the object of the contract and the intended purpose of the public procurement and which are also in accordance with the basic principles of public procurement.

- the contracting authority in the contract notice, in the tender documents or in the tender notice, or in the information document,
- the contracting authority in the notice used as a call for competition, in the call for confirmation of renewed interest according to § 88 par. 3, in tender notice, in the negotiation notice or in the tender documents.

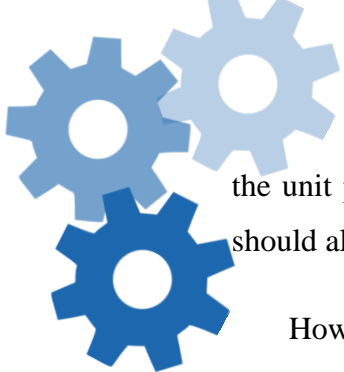
The act also states that if it is not possible to determine the relative weight of individual criteria for demonstrable reasons, then the contracting authority or entity should state them in descending order of importance.

The above-mentioned, subcriteria and the goal pursued by them, must also be reflected in the draft contract, which is part of the tender documents and cannot differ in any way, or not to reflect the required criteria and subcriteria for the object of the contract, as stated by the Public Procurement Act itself in the provision of § 56 par. 1: *“The concluded contract, framework agreement or concession contract must not conflict with the tender documents or the concession documentation and with the tender submitted by the successful tenderer or tenderers.”*

## 1.4 The lowest price

Lastly, there is the **criterion of the lowest price**, which is in principle the easiest to apply and probably therefore the most used in the public procurement environment in Slovakia. Its essence lies in the selection of the tenderer with the lowest submitted bid. This criterion can therefore be used to assess the total bid price and, in some cases,





the unit price or unit prices. In this case, the expected scope of goods and services should also be determined.

However, the frequent application of this criterion also to contracts of a more complex nature may lead to a decrease in the quality of the procured goods, services or constructive works in the long run, which ultimately leads to uneconomical use of public finances.

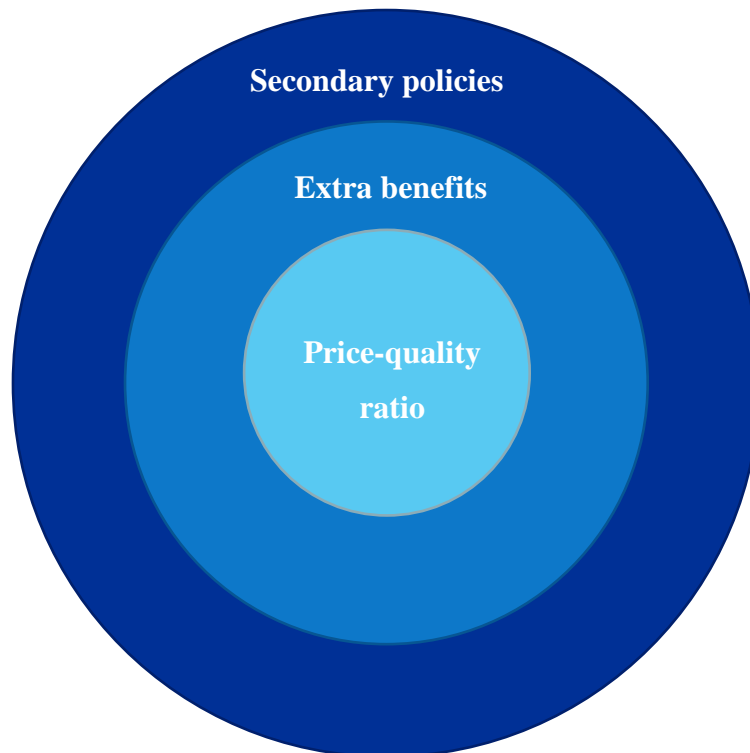


Contract award criteria are an incentive, not a guarantee. They may measure how much "better" you can get with the qualitative criterion compares to the minimum required level. And they help reach the right balance between different desired characteristics.



## 2 Why use MEAT criteria

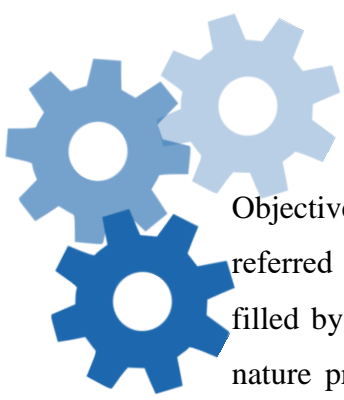
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The first most important layer that must always be included is the **price-quality ratio**, as the whole concept of MEAT criteria is based on this ratio. Most contracting authorities and contracting entities look mainly at the input costs of the object of the contract, ie the contract price. However, it should be emphasized that the contracting authority's actual costs are the sum of the input costs, the operating costs and, in most cases, the costs of liquidating the object of the contract.

Within the possibilities that the MEAT criteria offer, there are also so-called **extra benefits** for the user of the procured object of the contract. Of course, the functionality and use of the contract is based mainly on the description of the contract, ie the provisions of § 42 of the Public Procurement Act, but the MEAT criteria create the preconditions for the tenderer to end up with a better product than originally planned.

The primary objective of procurement by a contracting authority or contracting entity is the acquisition of goods, services or works on the best possible terms.



Objectives that are unconnected to the primary objective of the procurement are often referred to in the EU as “secondary” objectives or considerations. The last layer is filled by **secondary policies** that allow awarding authorities to look responsibly at nature protection, social issues in society or to support the creation of innovative solutions. Public procurement strategies can serve multiple objectives for the public sector. On the one hand, the procurement of goods, services and works are integral to the delivery of public services to citizens where the public sector is not able to produce them. On the other hand, public procurement processes can integrate requirements to achieve broader policy objectives, such as increasing environmental approach, supporting innovation or easing access to public contracts for SMEs.


The value for money principle recognizes that goods, constructive works or services are not monotonous, on the contrary, they differ in quality, durability, availability and other conditions of sale. The search for value for money is that contracting authorities or entities should strive to purchase the optimal combination of features to meet their needs. Therefore, different qualities, such as e.g. the actual costs, durability of the various products offered, measured in comparison with their costs. For a contracting authority or entity, it may ultimately be much more advantageous to pay more for a product that has low maintenance costs than to procure a seemingly cheaper product that has higher operating costs.

The MEAT criteria bring a long list of benefits to those who choose to use them and apply them correctly. In the first place, they give the contracting authority or entity the possibility to evaluate the submitted tenders also on the basis of their quality, and not only on the basis of the lowest price, or costs, as is currently the case for the most widely used tender evaluation criterion. In general, this means that the tenderer has the opportunity to put more emphasis on quality of the goods, services or works being procured, but also to adjust the costs by determining their importance by setting relative weights, as required by the Public Procurement Act itself. This procedure also encourages the economic market to offer higher quality goods, services and constructive works, as otherwise the economic operator will not be able to succeed in the market.

Through the MEAT criteria, it is possible to obtain, in addition to the object of the contract, extra benefits that the contracting authority or entity did not anticipate at the



beginning, but appear as a positive accompanying phenomenon of the offered higher quality of the object of the contract. There is also the opportunity to involve secondary policies in the process and thus procure more responsibly with regard to the environment, social problems of society or to support the finding of innovative solutions that can have great societal benefits. Finally, if higher quality cannot be provided within the set and required limits, tenderers' bids will be evaluated on the basis of price, so that in principle the contracting authority or entity will not lose anything, on the contrary, there is only room for profit.



Through the MEAT criteria, it is possible to obtain much more than it seems at first glance and also give room for a responsible approach to environmental protection or urgent problems in society.



## 3 Basic elements of MEAT criteria

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### 3.1 Subcriteria

The Public Procurement Act in the provision of § 44 par. 4 in the first part of the first sentence states that " *the best value for money shall be assessed on the basis of price or cost and other criteria which include qualitative, environmental or social aspects relevant to the object of the contract*" . The contracting authority or entity therefore has the option, at its own discretion and in compliance with the basic conditions, of setting such qualitative subcriteria that will ensure the best objective pursued.

The contracting authority or entity shall evaluate tenders on the basis of **objective criteria for the evaluation of tenders relating to the object of the contract, in order to determine the most economically advantageous tender**. The criteria specified by the contracting authority or entity must be non-discriminatory and must support competition. In special cases, where the situation does not allow otherwise in terms of its specificity, it is possible to set subcriteria of a more subjective nature, but in this case the tenderer must proceed with particular care and such a procedure must be duly justified by the nature of the subject of the contract.

When selecting individual non-price subcriteria, it is also appropriate to take into account their practical applicability and, where appropriate, efficiency. It is natural that the added value for the user of the object of the contract also has certain limits and that there is a limit beyond which the already high quality of the contract item will not bring any additional added value for the contracting authority or entity.

However, it is important to remember that each procurement is individual and the needs of each tenderer are different. Therefore, it is not uncommon for two different contracting authorities to tender for the same subject matter, but each of them would set different quality subcriteria, or each would give them a different degree of importance.



It needs to be re-emphasized that the contracting authority or entity may also apply environmental, social or innovative aspects within the subcriteria. In this way, it may require that the contractor's approach to contract performance is more environmentally friendly, that it takes into account social problems and disadvantaged groups, or that it encourages the market to offer innovative practices and solutions.

All interested parties, ie on the part of the announcer, and on the part of the supplier must be aware that the submitted bidding offer, which is evaluated as winning, obliges the supplier to fulfill it and is automatically reflected in the contract resulting from the public procurement. Therefore, the contracting authority or entity should designate appropriate safeguards within it, as well as penalties for non-compliance, e.g. also in relation to the requirements set out in the sub-criteria.

As mentioned above, the Public Procurement Act also provides the so-called prohibited criteria, ie those the use of which within the tender evaluation criteria is prohibited. The contracting authority may not use as a subcriterion the share of subcontracting or the institutes providing the contractual performance, ie the amount of the contractual penalty, security or interest for late payment. Until recently, until the moment of effectiveness of Act no. 395/2021, which amends Act no. 343/2015 Coll. on Public Procurement and on Amendments to Certain Acts, as amended, the so-called The major amendment to the Public Procurement Act, was one of the prohibited criteria also the length of the guarantee, but this amendment lifted that ban, so public contracting authorities or entities have the opportunity to determine the length of the guarantee as one of the qualitative criteria.

### 3.2 Relative weights

In the case when the contracting authority or entity does not evaluate the tenders on the basis of the criterion of the lowest price, and thus evaluates them on the basis of more than one criterion, or subcriteria, it is obliged to determine the relative weight of individual subcriteria. Thus, after the contracting authority selects relevant and optimally objective subcriteria for its object of the contract, the Public Procurement Act imposes on it the obligation in the provision of § 44 par. 10 to determine for each of the criteria (apart from the criterion of the lowest price) a relative weight, which can



be expressed, for example, **by determining an interval with a corresponding maximum margin.** Relative weights represent a gradation of the importance of individual criteria and determine their interrelationship in the tender evaluation. **The level of relative weight should be proportional to the importance of the subcriterion for the contracting authority.**

- **Panel setup** - finding a compromise value that reflects the importance of individual subcriteria to each other.
- **Economic value of a subcriterion** - when it is possible to assign an actual market value to individual subcriteria and subsequently assign a relative weight to it on the basis of mathematical logic.
- **Binary weighting** - is based on ignorance of the object of the contract by the contracting authority or if each of the individual subcriteria is of equal importance to the contracting authority and thus each subcriterion is assigned the same relative weight.
- **System yes / no**

The purpose of determining the relative weights of the individual subcriteria fulfills the principle of economy and efficiency, as the weights are intended to reflect the needs of the contracting authority or entity in relation to the object of the contract.

In relation to the determination of relative weights, there is also an information obligation, ie the contracting authority's obligation to state these facts in the contract notice, tender documents or in the invitation to tender or in the information document and the contracting entity is required to state them in the notice used as a invitation to tender, a tender notice, a call for negotiations or a tender documentation. It is also important to introduce the formulas in determining the weights, on the basis of which the points will be awarded and thus determine the successful candidate. Also, the announced award criteria (including their relative weighting, any sub-criteria applied and their relative weighting, and a more detailed evaluation methodology that has been announced) cannot be changed or waived during the process of evaluation of tenders.



### 3.3 Formula

Within the practice in the conditions of public procurement, we know a large number of different formulas, on the basis of which it is possible to evaluate the submitted tenders. From a mathematical point of view, the different formulas take into account different variables, so it may happen that another successful tenderer could be identified using two different formulas for the same procurement. In the conditions of Slovak public procurement and also in general, the so-called ratio formula, especially due to its simplicity and wide range of application.

Ratio - formula

$$B = \sum_{x=1}^{\infty} C_x P_x$$


C – weight of subcriterion

P – points

The ratio formula is the sum of the points partially obtained for the individual subcriteria, which are proportionally derived from the best bid in the given subcriterion. Thus, the tenderer who has submitted the best tender for a given subcriterion will receive the maximum number of points in the partial calculation. The

#### Practical example

The public procurer procures goods, specifically basic desktops, and in the competition 3 tenders were submitted the tender by the tenderers (in slovak “Uchádzač”) Slnko, Mesiac and Hviezda. The criterion of the best price-quality ratio was chosen to tender evaluation. The individual subcriteria are, of course, price (in slovak “Cena”), which was given a relative weight (in slovak “Váha”) of 60 points, the size of RAM, which was given a relative weight of 20 points, and consumption in WAT, which was also given a relative weight of 20 points. It is true that the lower the value, the better the price and consumption, and the opposite, the higher the value offered, the higher the number of points. The successful tenderer would be the tenderer Slnko, as he got the highest number of points together.





## Practical example

The public procurer procures goods, specifically basic desktops, and in the competition 3 tenders were submitted the tender by the tenderers Sun, Moon and Star. The criterion of the best price-quality ratio was chosen to tender evaluation. The individual subcriteria are, of course, the price, which was given a relative weight of 60 points, the size of RAM, which was given a relative weight of 20 points, and consumption in WAT, which was also given a relative weight of 20 points. It is true that the lower the value, the better the price and consumption, and the opposite, the higher the value offered, the higher the number of points. The successful tenderer would be the tenderer Sun, as he got the highest number of points together.

Bidder	Price	Weight	RAM ↑	Weight	Consumption (WAT) ↓	Weight
Sun	600	60	4 Gb	20	60	20
Moon	800	60	8Gb	20	70	20
Star	700	60	6Gb	20	50	20

Bidder	Price	RAM	Consumption	Together
Sun	60	10	16,67	86,67
Moon	45	20	14,29	79,29
Star	51,43	15	20	86,43

If there were a change in weight and the contracting authority would award "only" 50 points to the price and consumption 30 points, the result of the public procurement would change completely. In this case, the Star tenderer would become the successful tenderer.

### Changing weights

Bidder	Price	Weight	RAM ↑	Weight	Consumption (WAT) ↓	Weight
Sun	600	50	4 Gb	20	60	30
Moon	800	50	8Gb	20	70	30
Star	700	50	6Gb	20	50	30

Bidder	Price	RAM	Consumption	Together
Sun	50	10	25	85
Moon	37,5	20	21,43	78,93
Star	42,86	15	30	87,86



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