



# Strengthening value for money in the public procurement system of the Slovak Republic

Towards a strategy to use adequate award criteria





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# Table of contents

Executive summary	5
1 Introduction	7
2 Is the Slovak procurement ecosystem conducive to the use of MEAT criteria?	8
2.1. Explicitly mentioned in the legislative framework, the increased use of MEAT criteria requires a shared understanding amongst various stakeholders	8
2.2. Several national strategies stress the role of public procurement in achieving broader policy objectives, yet very few emphasise the potential of MEAT criteria in doing so	12
2.3. Slovak procurement market is relatively concentrated in the hands of few public buyers	14
3 The use of MEAT criteria in the Slovak Republic is comparatively low and has been decreasing in recent years	17
3.1. Identifying who could champion the use of MEAT criteria	19
3.2. Which type of procurement processes are more exposed to the use of MEAT criteria?	21
3.3. How is the market responding to the use of MEAT criteria in public tenders?	24
4 Challenges experienced by public entities and economic operators in using MEAT criteria	27
4.1. The use and perception of MEAT criteria by public entities	27
4.2. Challenges in using MEAT criteria	28
4.3. Challenges on the use of strategic procurement impacts the use of MEAT criteria	29
4.4. The perception of MEAT criteria by economic operators	30
5 The use of MEAT criteria in the health and transport sector	32
5.1. A deep-dive into the health and transport sectors	32
5.1.1. Snapshot on the Slovak Health sector	33
5.2. State of play on the use of MEAT criteria in the health and transport sector	35
6 The way forward: Implementing a strategy to enhance the use of MEAT criteria	38
6.1. When designing the strategy, a number of parameters need to be accounted for	38
6.1.1. Communicating on the benefits of using MEAT criteria and understanding existing barriers	39
6.1.2. Developing the strategy using an inclusive approach	42
6.2. To support changes in procurement practice, the strategy needs to define how it will be operationalised	44
6.2.1. Mainstreaming the use of MEAT criteria requires a skilled workforce	44

6.2.2. Ensuring a good understanding the capacity of the market to respond to procurement opportunities using MEAT criteria	52
6.2.3. Monitoring the use of MEAT criteria	54

## References 56

### Tables

Table 2.1. List of relevant strategies to advance the use of MEAT criteria	13
Table 2.2. TOP 15 public entities in terms of the total contract volume	15
Table 3.1. Public Procurement thresholds in the Slovak Republic	23
Table 6.1. Entities performing Ex-ante and Ex-post control of procurement activities	47
Table 6.2. Training portfolio on MEAT criteria for the training action plan for 2016-2019	48
Table 6.3. Use of market engagement tools by public entities in the Slovak Republic	54

### Figures

Figure 2.1. The 3 evaluation methods foreseen in the Slovak PPA	9
Figure 2.2. Stakeholders of the public procurement system in the Slovak Republic	10
Figure 2.3. Share of procurement volume by public entity category between April 2016 and May 2020	14
Figure 2.4. Share of the number of procurement procedures by public entity category	15
Figure 3.1. Use of MEAT criteria for evaluating tenders in selected EU countries, 2006–2016	17
Figure 3.2. Use of the MEAT criteria versus the lowest price criteria	18
Figure 3.3. Evolution of the use of the MEAT criteria versus the lowest price criteria	18
Figure 3.4. Use of the MEAT criteria by type of public entity	19
Figure 3.5. Share of the use of MEAT criteria in the top 15 public entities compared to the national average in terms of the number of procedures	20
Figure 3.6. Share of the use of MEAT criteria in the top 15 public entities compared to the national average in terms of procurement volume	20
Figure 3.7. Use of the MEAT criteria by region	21
Figure 3.8. Use of the MEAT criteria by object of the contract	22
Figure 3.9. Use of the MEAT criteria by threshold	23
Figure 3.10. Use of the MEAT criteria by financial resources (EU funds or not)	24
Figure 3.11. Use of the MEAT criteria by supplier category (SME or not)	24
Figure 3.12. Number of bids received by award criteria	25
Figure 3.13. Cancellation of tender by award criteria by fiscal year	26
Figure 4.1. Use of MEAT vs lowest price criteria in the Slovak Republic	27
Figure 4.2. Challenges faced by public entities in using MEAT criteria	28
Figure 4.3. Level of difficulty in using public procurement to achieve different policy objectives	29
Figure 4.4. How often economic operators responded to procurement opportunities using MEAT criteria?	30
Figure 4.5. Share of economic operators that consider as challenging to respond to procurement opportunities using MEAT criteria	31
Figure 4.6. Level of difficulty to prepare bid proposals that consider broader policy objectives.	31
Figure 5.1. Share of transport and health sectors in the total procurement volume	32
Figure 5.2. The share of the health and transport sectors in procedures using MEAT criteria in terms of procurement volume and procedures	35
Figure 5.3. Use of the MEAT criteria by sector	36
Figure 5.4. Share of the procurement volume where MEAT criteria was used in top 15 entities in the transport sector	36
Figure 5.5. Share of procurement procedures using MEAT criteria in top 15 entities in the health sector	37
Figure 6.1. Minimum vs desired technical requirements	39
Figure 6.2. Link between MEAT criteria and complementary policy objectives	42
Figure 6.3. Actors to be involved in the development of a strategy on MEAT criteria	44
Figure 6.4. Capacity building activities and tools	48
Figure 6.5. Suggested training methods	49
Figure 6.6. Methodological process for sharing good practices	52

## Boxes

Box 2.1. Criteria that can be used when adopting the MEAT approach	9
Box 3.1. Quality criteria in the framework of public works	22
Box 6.1. The two approaches to set MEAT criteria and technical specifications.	40
Box 6.2. Use of MEAT criteria under the Innovation Partnership by the Austrian Federal Real Estate Agency (BIG)	41
Box 6.3. Plural Working Group established by the Federal Government of Mexico for the e-procurement reform	43
Box 6.4. Principle on Capacity of the OECD Recommendation on Public Procurement	45
Box 6.5. Suggested topics to cover in the guidelines on MEAT criteria	50
Box 6.6. Benefits of identifying and sharing good practices	51
Box 6.7. Example of information to include in market analysis template	53
Box 6.8. How to engage the market and collect information on the market?	54

# Executive summary

For more than a decade, OECD countries are realising the potential of public procurement as a means of furthering broader policy goals. Yet, in order to attain these ambitions, procurement practices need to be streamlined and move away from a purely economic lens. The MEAT approach enables public entities to assess bids not only based on the price or cost criterion but also on other aspects be that qualitative, environmental or social. The integration of these additional dimensions is underpinned by the increased understanding that focusing solely on strict economic efficiency might not produce the most desirable outcomes. In line with the EU public procurement directives, the Public procurement Act of the Slovak Republic encourages the broader use of criteria to include qualitative, environmental or social dimensions. However, data provided by the Public Procurement Office (PPO) shows that, between 2016 and 2020, the use of MEAT criteria in public procurement procedures was relatively limited, representing 15.6% of public procurement procedures and 13.8% of the total procurement volume. In this context, the PPO aspires to develop and implement a strategy that would effectively mainstream the use of MEAT criteria. This report highlights key findings on the use of MEAT criteria in the Slovak Republic with a focus on the health and transport sectors and provides the PPO with key insights for the ongoing development of such a strategy.

## Key findings

- The total procurement activity in terms of volume is relatively concentrated within few public institutions where the top 15 public entities represent more than half of the total procurement volume. Data show that more than 25% of the top 15 entities did not use any MEAT criteria in their procurement operations.
- Between 2016 and 2020, the use of MEAT criteria sharply decreased in terms of the number of procurement procedures. In terms of procurement volume, despite a significant increase in 2017, the use of the MEAT criteria has been steadily decreasing.
- In terms of number of procedures, contracting authorities use MEAT criteria more often than private bodies which receive public funding and contracting entities. However, in terms of procurement volume, data shows a reverse trend.
- The use of MEAT criteria is uneven across contracting authorities located in the eight regions of the Slovak Republic and the region of Bratislava, where many contracting authorities are concentrated, is lagging behind.
- In terms of procurement categories, data show that MEAT criteria is significantly more often used for the procurement of public works (24%) than goods (9%) and services (8%). However, when analysing the procurement volume, data show that share of MEAT criteria was more significant for goods (16%), rather than services and public works (both at 13%)
- In terms of procurement threshold, MEAT criteria is more often used in below-threshold procedures than above threshold procedures.
- There is no significant correlation between the use of either lowest price criteria or MEAT criteria, and i) the award of contracts to SMEs ,and ii) the number of bids received; In addition, the use of MEAT criteria does not lead to increasing the probability of tender cancellation.



- Results from an OECD survey show that the lack of guidelines and tools, the unclear legal framework and the perception that MEAT criteria is riskier are the top 3 challenges for public entities in using MEAT criteria area.
- Public procurement is nationally considered as a powerful tool to achieve broader policy objectives. Indeed, six national strategies out of nine mention public procurement and its use to achieve strategic objectives such as environmental goals and innovation. However, only two of them mention the use of MEAT criteria. 64% of public entities have used public procurement to pursue environmental objectives. Regarding SMEs, innovation and social considerations, this share is respectively: 43%, 29% and 57%. Public entities' inexperience in using public procurement to promote innovation was corroborated by answers to the survey which show that public entities find pursuing this objective the most difficult, followed by the environment, responsible business conduct/ Social aspects and SMEs.
- Answers to the OECD survey for economic operators demonstrate that the majority of respondents either never or rarely replied to public tenders where MEAT criteria were used. 89% of participants indicated they would like to see more procurement opportunities using MEAT criteria even if 45% of them consider more challenging to prepare bids when MEAT criteria are being used
- The health and transport sectors represent 43% of the procurement volume in the Slovak Republic. Procurement strategies, including the use of MEAT criteria have an impact on health and transport outcomes and the overall spending. However, the use of MEAT criteria in the transport and health sectors is relatively lower than the national average and many entities with high procurement volume are not using MEAT criteria at all.

### **The way forward**

To design an effective strategy aiming at mainstreaming the use of MEAT criteria in the country, the PPO could consider the following elements:

- Communicating to the different stakeholders on the benefits of using MEAT criteria, including on the achievement of broader policy objectives and understanding existing barriers, for instance by exploring the right balance between award criteria and tender requirements.
- Developing the strategy using an inclusive approach by involving, procurement officials, oversight and control bodies, private sector representatives and line ministries.
- Enhancing the capacity of procurement officials, but also the private sector and control bodies. In addition, targeted capacity building activities and tools should be developed including the development of a training action plan and guidelines, and sharing of good practices on the use of MEAT.
- Understanding the capacity of the market to respond to procurement opportunities when using MEAT criteria. In this context, the PPO could develop a market analysis template and raise awareness on market engagement activities.
- Regularly monitoring the use of MEAT criteria using different parameters to ensure the successful implementation of the strategy.

# 1 Introduction

Public procurement is a crucial pillar of services delivery for governments. Because of the sheer volume of spending it represents, well-governed public procurement can and must play a major role in fostering public sector efficiency and establishing citizens' trust. Well-designed public procurement systems also contribute to achieving pressing policy goals such as environmental protection, innovation, job creation and the development of small and medium enterprises. (OECD, 2015<sup>[1]</sup>).

In the Slovak Republic, public procurement accounted for 15 % of GDP and 31.2% of general government expenditures in 2020. Financial considerations are at the forefront of government considerations given constant budget pressures and citizens' demands for accountability vis-a-vis public spending. However, in past years, the concept of value with regards to public spending has been evolving to encompass a wider range of considerations such as quality, environmental and social benefits. The opportunities offered by the European funds available to Member States to recover from the COVID-19 crisis will further stress the critical role of public procurement in transitioning to greener and digital economies.

To achieve value for money in public procurement, different tools and mechanisms can be used including award criteria to evaluate bids. Indeed, the evaluation of the submitted tenders is a key milestone of the procurement process as it allows public buyers to assess the relative merits of proposals received against institutions' objectives and for this reason, care must be taken to ensure that the outcome is satisfactory and that it has been decided in a fair and transparent manner. In the Slovak Republic, the applicable procurement regulatory framework provides the possibility to use different evaluation methods, including MEAT criteria. However in practice the uptake in the country is significantly low.

Against this backdrop, the Public Procurement Office (PPO) of the Slovak Republic is willing to develop a national strategy to enhance the uptake of the use of MEAT criteria. This report will be used as a major input for the development of this strategy. It looks at the current state of play of the use of MEAT criteria by public buyers and identifies challenges they encounter. The report will then specifically look at two sectors: health and transport, given their role in the country's economy and citizens' well-being. Based on this detailed analysis, the report provides the PPO with insights and dimensions to inform the development and implementation of an effective strategy to enhance the use of MEAT criteria.

## 2 Is the Slovak procurement ecosystem conducive to the use of MEAT criteria?

The European Directives 2014/24 and 2014/25 on public procurement and concessions foresee solely the use of the Most Economically Advantageous Tender (MEAT) approach to evaluate public tenders. This award mechanism could take the form of assessing prices, costs (using a cost-effectiveness approach such as life-cycle costing), or the best price and quality ratio. However this approach, partially inherited from the distinction made in the previous 2004 Directives, sees contracting authorities and practitioners across EU Member States refer to MEAT criteria whenever a qualitative dimension is evaluated alongside prices. For the purpose of this report, the reference to MEAT criteria should therefore be understood as the use of award criteria evaluating not only price but also quality or other elements such as environmental performance, innovation or elements improving social aspects.

### 2.1. Explicitly mentioned in the legislative framework, the increased use of MEAT criteria requires a shared understanding amongst various stakeholders

The MEAT approach enables public entities to assess bids not only based on the price or cost criterion but also on other aspects such as qualitative, environmental or social criteria. The integration of these additional dimensions to evaluate bids has been justified by the increased understanding that focusing on strict economic efficiency might not produce the most desirable outcomes. Award criteria act as an incentive for bidders in the sense that they indicate the elements where they have to compete against each other. Broadening criteria beyond price in the evaluation of offers gives a signal to the market that public entities are looking for a combination of features and not only the lowest possible price which can have a knock-on effect on the quality of goods, services and public works procured.

Box 2.1 provides a non-exhaustive list of award criteria that can be applied when using the MEAT approach under the 2014 EU public procurement directive. It's worth mentioning that all criteria should be linked to the subject matter of the contract. Some criteria such as the duration of the guarantee, the share of the contract subcontracted and contract conditions may not be the criteria for evaluating tenders.

### Box 2.1. Criteria that can be used when adopting the MEAT approach

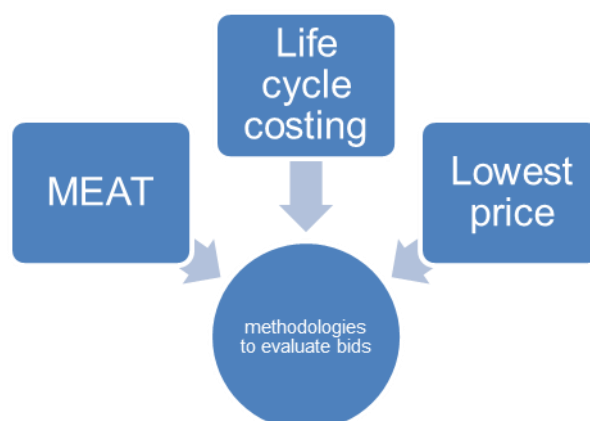
- Cost or price
- quality, including technical merit, aesthetic and functional characteristics, accessibility, design for all users, social, environmental and innovative characteristics and trading and its conditions;
- organisation, qualification and experience of staff assigned to performing the contract, where the quality of the staff assigned can have a significant impact on the level of performance of the contract; or
- after-sales service and technical assistance, delivery conditions such as delivery date, delivery process and delivery period or period of completion.

Source: (EU Parliament and Council, 2014<sup>[2]</sup>)

The use of MEAT criteria by public entities is framed by different factors including the applicable national public procurement regulatory framework. In the Slovak Republic, the applicable regulatory framework is the Public Procurement Act (PPA) of 2016, which transposed the 2014 public procurement directives of the European Union. The PPA mandates public entities to evaluate bids based on objective evaluation criteria, which must be related to the subject of the contract, and with the aim of determining how the contract will be awarded to the most economically advantageous offer. The criteria specified by public entities must be non-discriminatory and must support competition.

In terms of award criteria, section 44 of the Slovak PPA provides the possibility to use three options: i) the best price-quality ratio (i.e. MEAT criteria), ii) life cycle costing, and iii) the lowest price methodology (see Figure 2.1).

**Figure 2.1. The 3 evaluation methods foreseen in the Slovak PPA**



When using the life cycle costing methodology, public entities have to evaluate all the costs related to the life cycle of a product, construction or service. These costs should, to the relevant extent, cover parts or all of the following costs over the life cycle of a product, service or works:

- costs, borne by the contracting authority or other users, such as:
  - costs relating to acquisition,
  - costs of use, such as consumption of energy and other resources,
  - maintenance costs,

- end of life costs, such as collection and recycling costs.
- costs imputed to environmental externalities linked to the product, service or works during its life cycle, provided their monetary value can be determined and verified; such costs may include the cost of emissions of greenhouse gases and of other pollutant emissions and other climate change mitigation costs (European Commission, n.d.<sup>[3]</sup>)

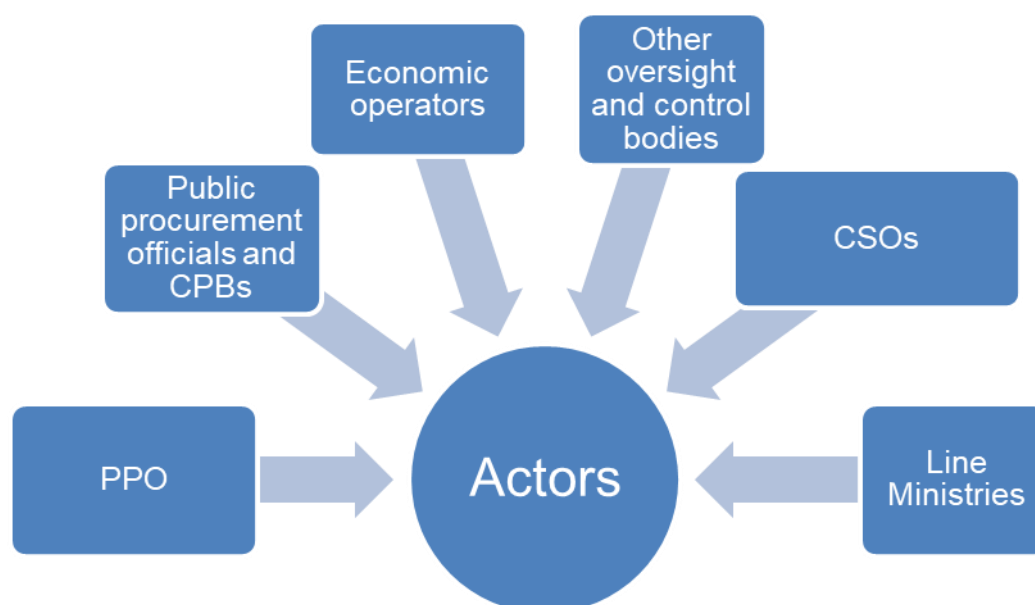
Furthermore, in line with the EU public procurement directives, the PPA also includes costs related to environmental externalities associated with the product, work or service during the life cycle. This can only be applied if the monetary value of those costs can be determined and verified; costs may for example include the costs of greenhouse gas emissions, emissions of other pollutants or the costs of climate change mitigation.

It is possible to use the life cycle approach and the MEAT approach together. The environmental externalities could be assessed using the guide developed by the Ministry of Environment of the Slovak Republic on the analysis of cost and environmental benefits in projects. In this guide, the methodology for calculating the monetary value of environmental externalities is presented. (Ministry of Environment of the Slovak Republic, 2019<sup>[4]</sup>)

The third option is to use the lowest price criteria, where public entities consider this approach as the most economical solution among those offered (EU Parliament and Council, 2014<sup>[2]</sup>). The decision to use the lowest price criteria is a discrete one made by public institutions and they are not required to justify its use.

Advancing the implementation of MEAT criteria in public procurement requires identifying the main stakeholders who have a role either in designing these criteria or in ensuring their adequacy with overarching principles included in the PPA. The public procurement environment is a complex system of interconnected actors, where each has its own role in the system. In addition to institutions in charge of the regulatory or strategic framework, the implementation of MEAT criteria relies on its use by procurement officials within public entities as well as the readiness of the market to respond to procurement opportunities using specific criteria. Furthermore, as public procurement involves using public funds, different bodies and actors can be involved in controlling the appropriate choice of award criteria. Therefore, a strategy aiming at enhancing the use of MEAT criteria should build a consensus amongst the different actors involved as users, recipients and controllers. Figure 2.2 provides an overview of relevant stakeholders.

**Figure 2.2. Stakeholders of the public procurement system in the Slovak Republic**



**The PPO** is the main institution in charge of the public procurement system in the Slovak Republic. Its responsibilities include: i) legislative and regulatory authority, ii) drafting and monitoring implementation of the PPA and accompanying legislation; iii) providing ex-ante review of public procurement documents; iv) conducting oversight and publishing statistical information; v) training and publication of guidance for contracting authorities and suppliers; vi) managing the national e-Procurement system; and vii) acting as the first-instance review body and imposing financial penalties in case of a violation of the PPA. The use of MEAT criteria is heavily influenced by all these responsibilities; therefore the PPO is a critical actor in mainstreaming the use of these criteria.

**Line ministries** are in charge of developing policies or strategies and guidelines in relation to their portfolio. As described in section 2.2, some strategies identify the possibilities offered by public procurement in achieving the objectives laid out in these documents. For instance, the Ministry of Environment promotes green public procurement as a means of furthering the environmental agenda. The Ministry of Investment, Regional Development and Informatisation (MIRRI) responsible for the digitalisation processes in the Slovak Republic is publishing guidelines on ICT procurements for all contracting authorities.

In addition to the PPO, **other oversight and control bodies** play a key role in the use of MEAT criteria. One of the most active organisations is the Supreme audit institution (hereinafter referred to as “NKU”), that is in charge of controlling the effective spending of public resources. In addition to controlling the compliance of procurement procedures with the PPA, NKU also undertakes performance audits in relation to public procurement. In 2020, NKU together with PPO published a Methodology of control of economy and efficiency in public procurement, where great emphasis is put upon the use of MEAT criteria. (Public Procurement Office and Supreme Audit Office, 2020<sup>[5]</sup>)

The other important control body is MIRRI whose role is that of the central control body for EU funded procurements. MIRRI is responsible for setting public procurement rules for all EU funded procurements and controlling their application in practice. These specific rules are in particular related to low value contracts. As the main control body (besides the PPO) for EU funded projects, the Ministry performs ex-ante and ex-post controls including the review of award criteria defined in procurement processes. MIRRI developed dedicated guidelines for public procurement. However, they do not include a particular emphasis on the use of MEAT criteria.

**Officials in charge of public procurement** in a range of different public entities play a central role, as they are the ones setting award criteria and designing the optimal strategy for evaluating bids received. The Slovak PPA distinguishes three categories of public entities: i) contracting authorities, ii) contracting entities and, iii) entities subject to section 8 of the PPA.

- Contracting authorities are those subject to section 7 of the PPA. They include ministries, state entities, regional governments, municipalities, government offices under the ministries, legal entities that are controlled and financed by other contracting authorities or whose board is selected by another contracting authority (such as universities, hospitals, etc.)
- Contracting entities are those subject to section 9 of the PPA. This category includes entities partially owned or controlled by a contracting authority. They are active in the following sectors: power engineering, gas industry, thermal energy, water sector, transport, postal services, oil and gas extraction and the operation of public airports.
- Entities subject to section 8 of the PPA. This category includes all private bodies (legal entities) which receive public funding from contracting authorities.

In addition to individual public institutions purchasing on their own, in the Slovak Republic some ministries act as central purchasing bodies, such as the Ministry of Interior or the Ministry of Finance. Since 2020 MIRRI is centralising the procurement of ICT goods and services. No information is available on the volume of centralised procurement in the Slovak Republic. However, centralisation can deliver value to the system not only through delivering savings from collaborative purchasing, but also acting as a centre of excellence

and implementing strategic objectives for large procurement volumes where the use of MEAT criteria can deliver better outcomes.

**Civil society organisations-CSOs** whose role is to improve the environment of public procurement and the use of public resources in the Slovak Republic, such as Transparency International Slovensko, Slovensko.Digital, Nadácia Zastavme korupciu (Foundation Stop the corruption), etc.. They focus mainly on evaluating the achievement of the best value for money and the compliance with the public procurement principles throughout the procurement cycle. These organisations generally aim to ensure that governments use tax payers money appropriately. In this framework these organisations, relatively active on social media, are often part of different working groups on public procurement to share their perspective and contribute to public procurement reforms. Some organise capacity-building activities promoting the use of MEAT criteria such as Slovensko Digital in the case of ICT procurement. In other countries, civil society organisations sometimes evaluate contracting authorities' practices, including the use of MEAT criteria. For instance, Zindex a Czech NGO benchmarks public procurement practices of different public entities in the Slovak Republic. It encourages the use of pro-competitive tools, including MEAT criteria (Zindex, 2020<sup>[6]</sup>).

**Economic operators** are the ones who will respond to tender opportunities. Their participation in public tenders might depend on different factors including the award criteria set by public entities. Ensuring their understanding of the rationale behind the integration of additional elements besides price is therefore essential to making sure that the strategy is positively received by the market, contributing to an increased attractiveness of public procurement procedures.

## 2.2. Several national strategies stress the role of public procurement in achieving broader policy objectives, yet very few emphasise the potential of MEAT criteria in doing so

Public procurement strategies can serve multiple objectives for the public sector. On the one hand, the procurement of goods, services and public 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 performance, supporting innovation or easing access to public contracts for SMEs.

Therefore, in addition to the procurement regulatory framework in place, different strategies published by public institutions could contribute to advance the strategic use of public procurement and the use of MEAT criteria. Indeed, trying to achieve objectives laid out in these different strategies and leveraging public procurement to do so might require the assessment of multiple factors that could not be captured solely by the price of goods, services or public works. While some strategies are sectorial (i.e. healthcare and transport) others are thematic, such as innovation and environmental strategies. The table below provides the list of relevant strategies and assesses whether or not they mention public procurement and the use of MEAT criteria.

Six strategies out of nine mention public procurement and its use to achieve strategic objectives such as environmental goals and innovation. However, only two strategies mention the use of MEAT criteria: the Social strategy for public procurement in Slovakia developed by the PPO and the Strategy of the Environmental Policy developed by the Ministry of Environment. Given the benefits of the MEAT approach, this shows there's room for it to be further mentioned and streamlined in the different thematic and sectorial strategies.

**Table 2.1. List of relevant strategies to advance the use of MEAT criteria**

Strategy	Line ministries/ institution	Year of adoption	Procurement mentioned as a strategic tool (Yes/No)	Mention of public procurement complementary policy objective	Mention of the use of MEAT criteria (Yes/No)
Research and Innovation Strategy for Smart Specialization of Slovakia	Ministry of Economy	2013	Yes	Innovation	No
Strategic framework for health for 2014 – 2030	Ministry of Health	2013	No		No
Concept for startup support and startup ecosystem development	Ministry of Economy	2015	No		No
Strategic plan for the development of transport in Slovakia until 2030	Ministry of Transport and Construction	2016	Yes	Green	No
The concept of intelligent industry for Slovakia	Ministry of Economy	2016	Yes	Innovation	No
Support for innovative solutions in Slovak cities	Ministry of Economy	2017	Yes	Innovation	No
Strategy on long term social – health care	Ministry of Health	2019	No		No
Digital transformation strategy Slovakia 2030	Ministry of Investment, Regional Development and Informatisation	2019	Yes	Innovation	No
Greener Slovakia - Strategy of the Environmental Policy of Slovakia until 2030	Ministry of Environment	2019	Yes	Green	Yes
Social strategy for public procurement in Slovakia (2021-2025)	PPO	2021	Yes	Social	Yes

Source: (Ministry of Economy of the Slovak Republic, 2013<sup>[7]</sup>), (Ministry of Health of the Slovak Republic, 2013<sup>[8]</sup>), (Ministry of Economy of the Slovak Republic, 2015<sup>[9]</sup>), (Ministry of Transport and Construction of the Slovak Republic, 2016<sup>[10]</sup>), (Ministry of Economy of the Slovak Republic, 2016<sup>[11]</sup>), (Ministry of Economy of the Slovak Republic, 2017<sup>[12]</sup>), (Ministry of Health of the Slovak Republic, 2019<sup>[13]</sup>), (Ministry of Investment, n.d.<sup>[14]</sup>), (Ministry of Environment of the Slovak Republic, 2019<sup>[15]</sup>), and (Public Procurement Office of the Slovak Republic, 2021<sup>[16]</sup>)

The table above shows that, while MEAT criteria is in very few instances identified as a means to support the achievement of the objectives pursued by these strategies, there is a progressive recognition of the role that public procurement can play in this endeavour.

From the above analysis of the regulatory framework in place and various government policies published by ministries, it is clear that the Slovak Republic has developed over years an ecosystem where public institutions are free to use other criteria in addition to price in public tenders. However, further analysis on procurement activity in the Slovak Republic shows that there is still a significant gap between theoretical options given to contracting authorities and practice.



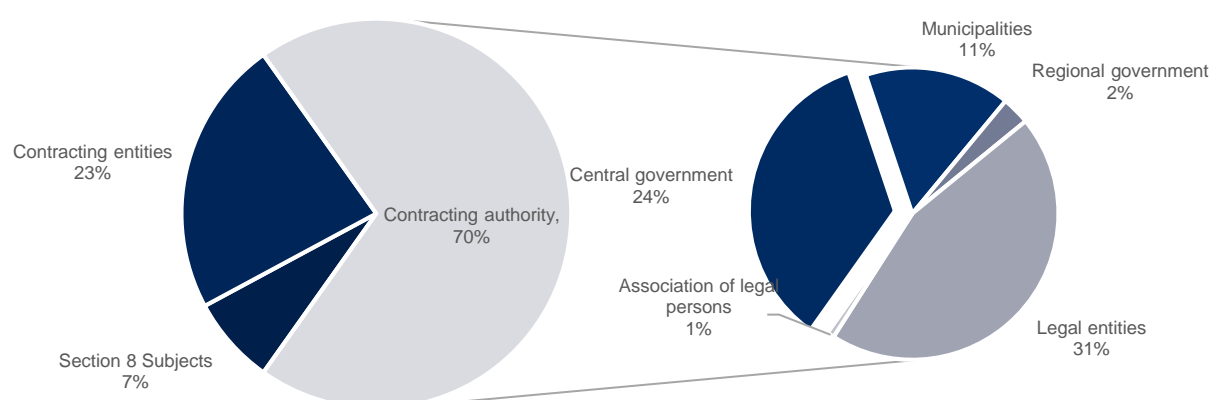
### 2.3. Slovak procurement market is relatively concentrated in the hands of few public buyers

To enhance the use of MEAT criteria it could be useful to have a detailed understanding of the Slovak public procurement landscape and to identify who the main public buyers are. Indeed, this exercise will enable identification of key individual entities and/or sectors that would best contribute to influence the use of MEAT criteria in public tenders.

This statistical analysis is based on the data provided by the PPO. The data includes public procurement procedures that were published after April 1, 2016 and whose result was published by May 30, 2020. The data in each figure and table are aggregated for multiple years (2016-2020), unless they are shown by each year. The data does not include low-value procurement procedures and cancelled procedures.

Between April 2016 and May 2020, there were 4343 active public entities. Contracting authorities account for almost 70% of the total procurement volume in the country. Among the subcategories within contracting authorities, legal entities financed and controlled by another CA (such as schools, universities, hospitals, etc.) represent the largest share of 31.3% of the total procurement volumes, followed by the subcategories such as ministries (24.4%) and municipalities (11.3%). Contracting entities represent 23% of the total procurement volume, half of their procurement volume is spent by public entities from the transport sector. Entities under Section 8 of the PPA represent 7.3% of the total procurement volumes. (See Figure 2.3)

**Figure 2.3. Share of procurement volume by public entity category between April 2016 and May 2020**

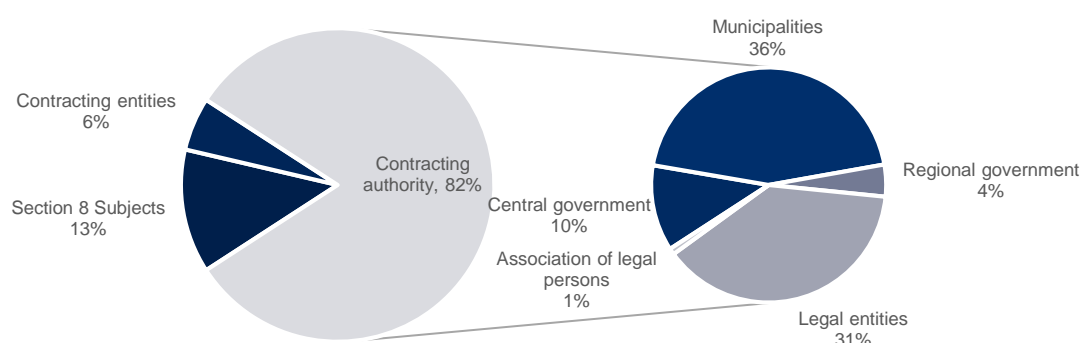


Note: Central government includes ministries, offices and other state entities

Association of legal persons are the ones established by other contracting authorities for a specific purpose

Source: Data provided by the PPO

When analysing the number of public procurement procedures between April 2016 and May 2020, contracting authorities accounted for 82%. Contracting entities represented 5.5% of the total number of public procurement procedures, although they accounted for 23% of the procurement volume. This could be explained by the fact that some contracting entities are implementing large infrastructure projects with high procurement volume. For example, the average contract volume of public entities from the transport sector is 7 767 513 euro, which is much higher than the average contract volume of all public entities (1 427 345 euro). Entities defined in the PPA Section 8 represents approximately 12.8% of the total number of procedures. (See Figure 2.4)

**Figure 2.4. Share of the number of procurement procedures by public entity category**

Source: Data provided by the PPO

Having an aggregated understanding of the main buyers steering the national public procurement market provides with general insights on the most active categories of public buyers. Yet, for the purpose of implementing specific actions that might be included in the national strategy being developed by the PPO, it could be useful to have a more granular view on procurement activity. Table 2.2 lists the top 15 public entities in the Slovak Republic in terms of the total contract volume. From this table, one can see that total procurement activity in terms of volume is relatively concentrated within a few public institutions where the top fifteen public entities, represent more than half of the total procurement volume while accounting only for 0.04% of all public entities. The top four (Ministry of Transport and Construction, National Highway Company, Railways of Slovak Republic, and Railway Company Slovakia) belong to the transport sector and accounted for approximately one third of the total procurement volume of the country. The Ministry of Interior and the General Health Insurance Company (health sector) accounted respectively for 3.8% and 2.8% of the total procurement volume. These top 6 public entities represent 39.4% of the total procurement volume of the country. This implies that promoting the use of MEAT criteria in these large public entities can have a significant impact on the overall uptake of MEAT criteria in the country.

**Table 2.2. TOP 15 public entities in terms of the total contract volume**

Entity Name	Number of procedures published in official journal	Proportion of number of procedures to Grand Total	Volume without VAT (EUR)	Proportion of volume to Grand Total	Average contract price
Ministry of Transport and Construction of the Slovak Republic	24	0.2%	1 919 560 198	11.6%	79 981 675
National Highway Company	179	1.5%	1 659 366 251	10.0%	9 270 203
Railways of Slovak Republic	98	0.8%	972 620 889	5.9%	9 924 703
Railway Company Slovakia	80	0.7%	868 865 201	5.2%	10 860 815
Ministry of the Interior of the Slovak Republic	244	2.1%	633 605 583	3.8%	2 596 744
General Health Insurance Company	101	0.9%	471 973 319	2.8%	4 673 003
Forests of the Slovak Republic, state enterprise	566	4.8%	308 787 299	1.9%	545 561
MH Invest	10	0.1%	293 668 371	1.8%	29 366 837
Ministry of Defense of the Slovak Republic - Office for Investments and Acquisitions	162	1.4%	259 123 926	1.6%	1 599 530

Slovak Post Office	43	0.4%	257 561 029	1.6%	5 989 791
Slovak Power Plants	50	0.4%	243 972 447	1.5%	4 879 449
Slovak Road Administration	101	0.9%	236 451 976	1.4%	2 341 109
TIPOS, national lottery company	23	0.2%	197 287 693	1.2%	8 577 726
The capital of the Slovak Republic, Bratislava	51	0.4%	189 509 169	1.1%	3 715 866
Water Management Construction, state enterprise	12	0.1%	183 415 076	1.1%	15 284 590
Grand Total of TOP15	1,744	14.7%	8 695 768 426	52.5%	4 986 106
Grand Total of all entities	11,609	100.0%	16 570 053 344	100.0%	1 427 345

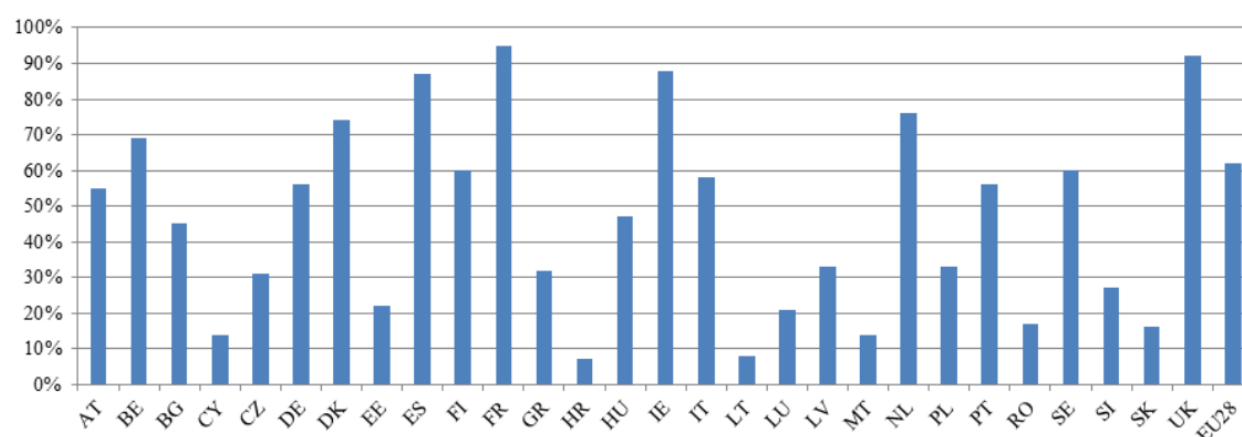
Source: Data provided by the PPO

# 3

## The use of MEAT criteria in the Slovak Republic is comparatively low and has been decreasing in recent years

All EU countries have transposed the 2014 EU public procurement directives into their national legislation that includes the use of MEAT criteria. Even before the transposition of these directives, the then current European legislative framework (the 2004 Directives) explicitly mentioned the possibility to award public contracts on the basis of MEAT criteria and this was already reflected in Member States' practices. Datasets from the European Commission show that the average use of MEAT criteria for tenders between 2006 and 2016 was 62%. However, the use of MEAT criteria varies widely between countries. For instance countries like France and the UK used MEAT in more than 90% of tenders, whereas countries like the Slovak Republic, Croatia and Lithuania are below 20% (see Figure 3.1) (European Commission, 2017<sup>[17]</sup>).

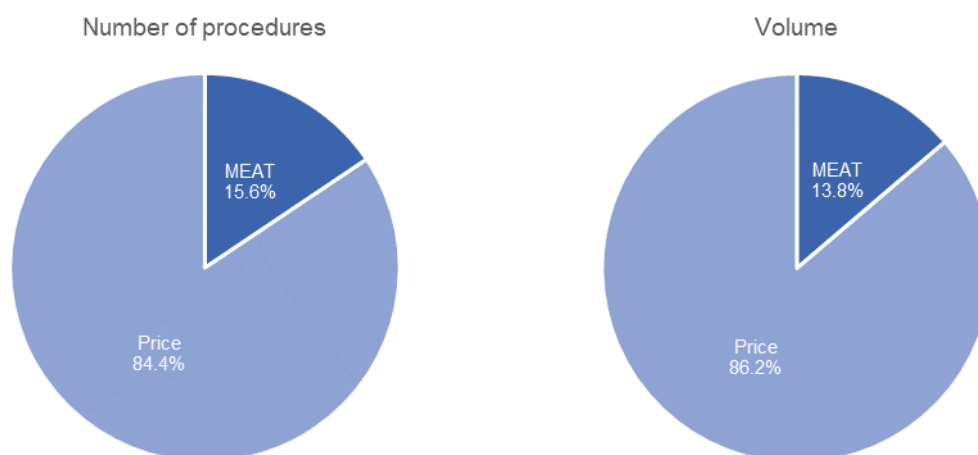
**Figure 3.1. Use of MEAT criteria for evaluating tenders in selected EU countries, 2006–2016**



Note: European Commission base on OJ/TED data (Croatia 2013-2016, Romania & Bulgaria 2007-2016)

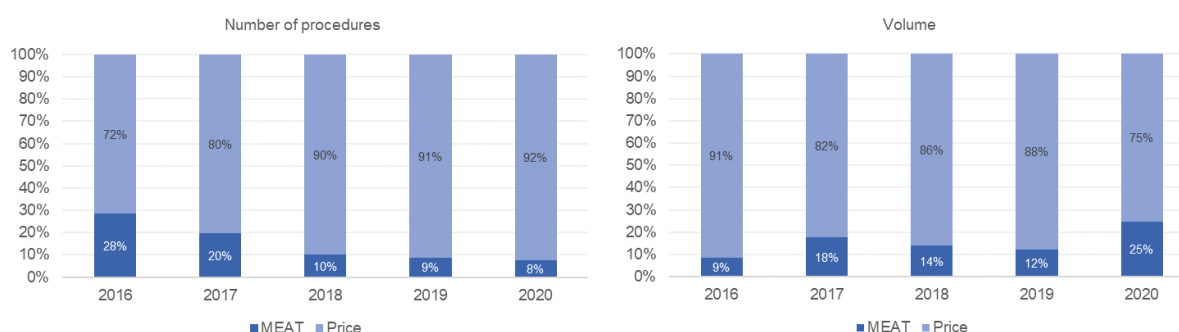
Source: (European Commission, 2017<sup>[17]</sup>)

These trends on the use of MEAT criteria in the Slovak Republic are further confirmed by more recent data provided by the PPO that demonstrate, between 2016 and 2020, MEAT criteria were used in 15.6% of public procurement procedures (1 846 procedures), representing 13.8% (EUR 2 278 819) of the total procurement volume. (See Figure 3.2)

**Figure 3.2. Use of the MEAT criteria versus the lowest price criteria**

Source: Data provided by the PPO

In addition to this already worrying scenario, when data are disaggregated by years, one can see in Figure 3.3 that in the last five years, the use of MEAT criteria sharply decreased in terms of the number of procurement procedures. In terms of procurement volume, despite a significant increase in 2017 (from 9% in 2016 to 18% in 2017), the use of the MEAT criteria has been steadily decreasing since then. The hike in 2020 could be attributed to the shorter period covered (data available until May 30, 2020) as well as the existence of a significant outlier in the dataset. Indeed, one procurement procedure on the construction of roads, implemented by the National Highway Company in 2020 representing 17% of the total procurement volume of 2020 used MEAT criteria. The overall decrease could also be explained by the fact that the PPA of 2016 does not provide any guidance in terms of award criteria and the respective weights in the award process whereas the previous regulatory framework mentioned that price should represent at least 70% of the total weight. This suggests that providing guidance to public entities on the award criteria and their respective weights could enhance the use of MEAT criteria.

**Figure 3.3. Evolution of the use of the MEAT criteria versus the lowest price criteria**

Note: The data for 2020 is not complete in that it covers public procurement procedures that were published after April 1, 2016 and whose result was published by May 30, 2020.

Source: Data provided by the PPO

The above analysis shows global trends clearly suggesting that targeted actions should be taken to significantly increase the use of MEAT criteria in public tenders and bring the Slovak Republic closer to its

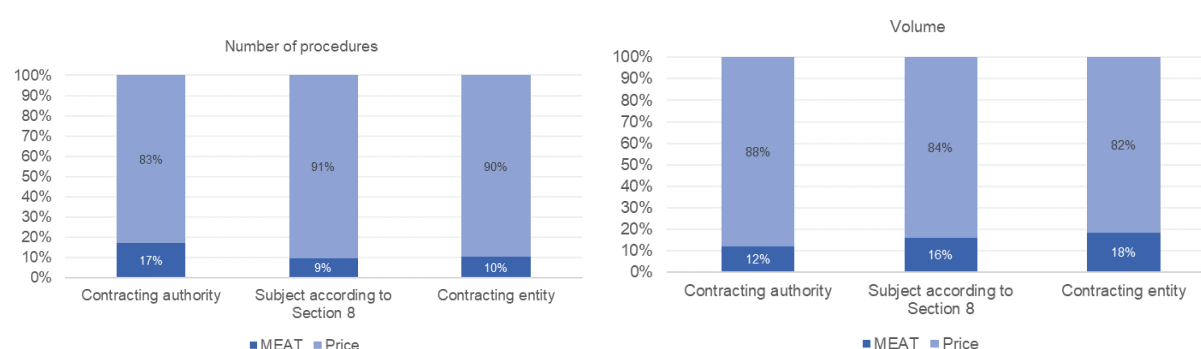
European peers. To support the PPO in designing an effective national strategy and to ensure targeted implementation activities, it could be useful to further disaggregate this dataset and analyse multiple variables to see which are the ones influencing the most the use of MEAT criteria in public tenders.

### 3.1. Identifying who could champion the use of MEAT criteria

As described in the Section 2.1, there are three categories of public entities: contracting entities, contracting authorities and entities subject to section 8 of the PPA and the extent of use of MEAT criteria in public tenders could be analysed against this typology. In terms of number of procedures, contracting authorities (17%) use MEAT criteria more often than entities subject to Section 8 of the PPA (9%) and contracting entities (10%). However, in terms of procurement volume, data shows a reverse trend: Contracting entities, contracting authorities and entities subject to section 8 of the PPA used MEAT criteria in 18%, 12% and 16% of their procurement volume respectively (See Figure 3.4). This general tendency can be explained by the fact that contracting entities such as those belonging to the transport sector implemented large infrastructure projects with relatively high contract volume. Indeed, the average contract volume of contracting entities is EUR 5 842 058 which is much higher than those of contracting authorities (EUR 1 191 288), and entities subject to Section 8 of the PPA (EUR 797 636).

Given the average procurement volume of contracting entities, a strategy to enhance the global uptake of MEAT criteria could include activities or initiatives targeting this category of public entities.

**Figure 3.4. Use of the MEAT criteria by type of public entity**



Source: Data provided by the PPO

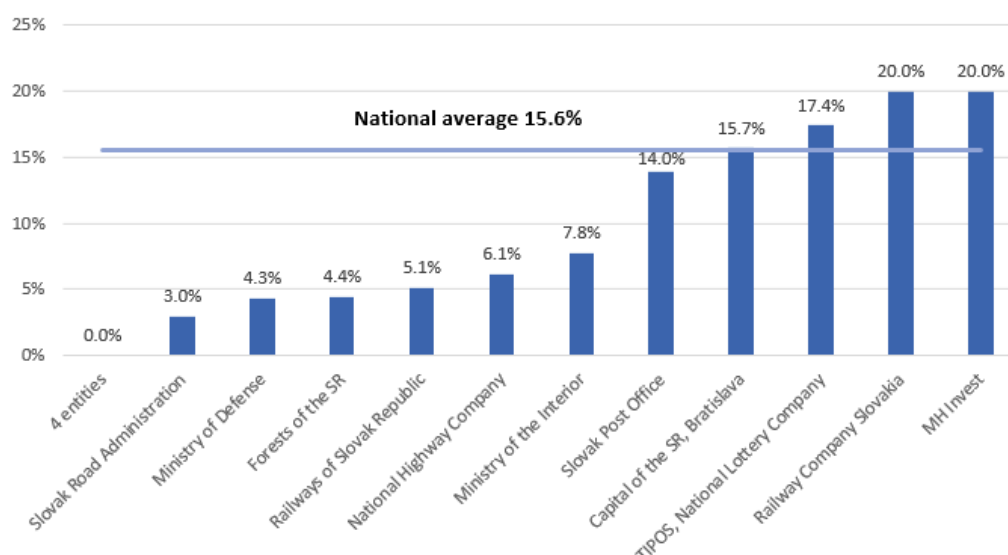
Given the relative concentration of the Slovak's public procurement market, as discussed above, it could be useful to understand trends and patterns in public institutions concentrating the most spend.

Data shows that more than 25% of the top 15 entities did not use MEAT criteria at all in their procurement operations. Furthermore, only approximately 30% of them are using MEAT criteria above the national average in terms of number of procedures and procurement volume (See Figure 3.5 and Figure 3.6). For example, the Ministry of Transport and Construction accounts for the largest share, 11.6% of the total procurement volume in the country, while all of its public procurement procedures used the lowest price criteria. Greater understanding of current practices in public entities with large public procurement volume could enable the implementation of tailored actions to overcome barriers of using MEAT criteria.

This implies that promoting the use of MEAT criteria in public entities with large procurement volume like the Ministry of Transport and Construction will have a significant impact on the uptake of MEAT criteria in public procurement procedures both in terms of numbers and volume. It should be noted, however, the

use of the lowest price criteria can be adapted to some cases, such as the procurement of standardised goods and services.

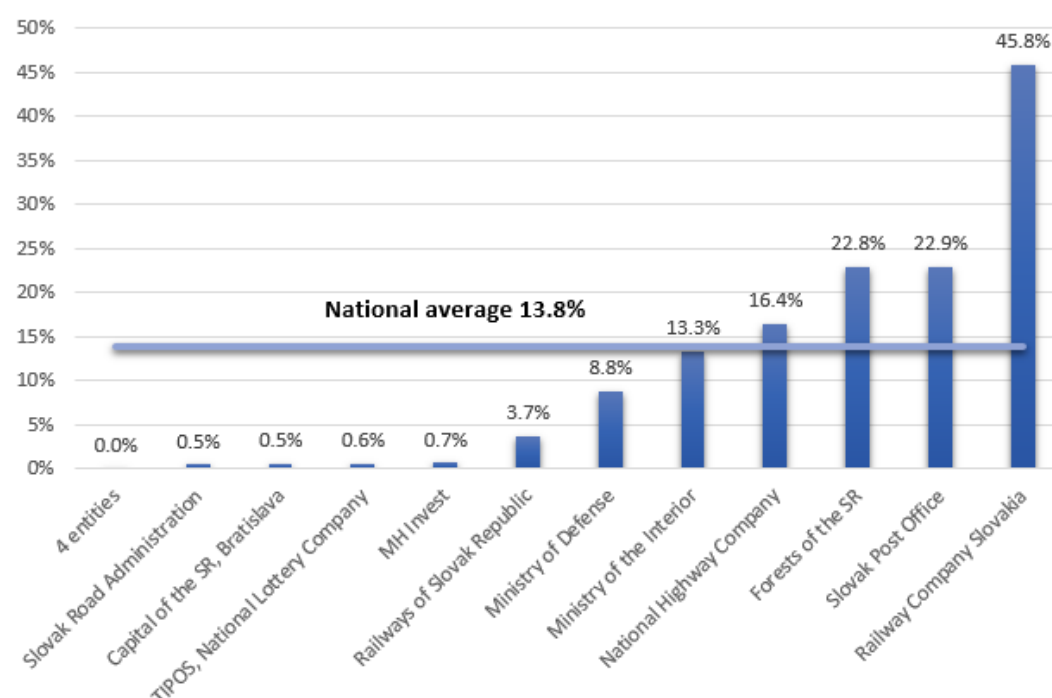
**Figure 3.5. Share of the use of MEAT criteria in the top 15 public entities compared to the national average in terms of the number of procedures**



Note: 4 entities refer to Ministry of Transport and Construction, General Health Insurance Company, Slovak Power Plants, and Water Management Construction

Source: Data provided by the PPO

**Figure 3.6. Share of the use of MEAT criteria in the top 15 public entities compared to the national average in terms of procurement volume**



Note: 4 entities refer to Ministry of Transport and Construction, General Health Insurance Company, Slovak Power Plants, and Water Management Construction

Source: Data provided by the PPO

Furthermore, some large public entities such as the Railway Company Slovakia are driving the use of MEAT criteria in the Slovak Republic and could share case studies and hands-on experiences of using MEAT criteria in public procurement procedures.

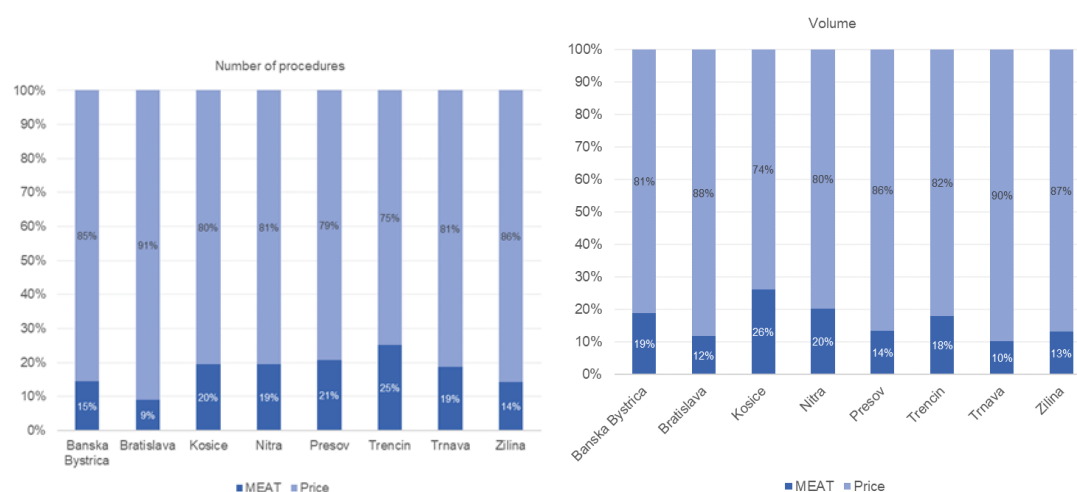
Beyond practices of specific public institutions, it could also be useful to look at regional distribution since it can give insights on geographical areas most in need of support and presides over the form of delivery of capacity building activities (e.g. in-person workshops vs. online modules). The Slovak Republic is a unitary state that includes 8 regions. Data shows that use of MEAT criteria is uneven across regions.

In terms of procurement procedures using MEAT criteria, Bratislava region is behind the other regions with a share of 9% of the total number of procedures. Two other regions are below the national average of 16%: Banská Bystrica (15%) and Zilina (14%). Trenčín region marked the highest share of the use of MEAT criteria with 25%. (See Figure 3.7)

In terms of procurement volume, Kosice region is the one that used MEAT criteria the most among the eight regions (26% of the total procurement volume). However, three regions are below the national average of 13.8%: Bratislava region (12%), Trnava region (10%) and Zilina (13%).

This shows that a regional approach needs to be implemented to promote the use of MEAT criteria. For instance the Bratislava region, which hosts many large public entities, accounts for the highest procurement volume (68%) and the highest number of procedures (29%). However, the performance of public entities in this region in using MEAT criteria is as previously mentioned relatively low.

**Figure 3.7. Use of the MEAT criteria by region**



Source: Data provided by the PPO

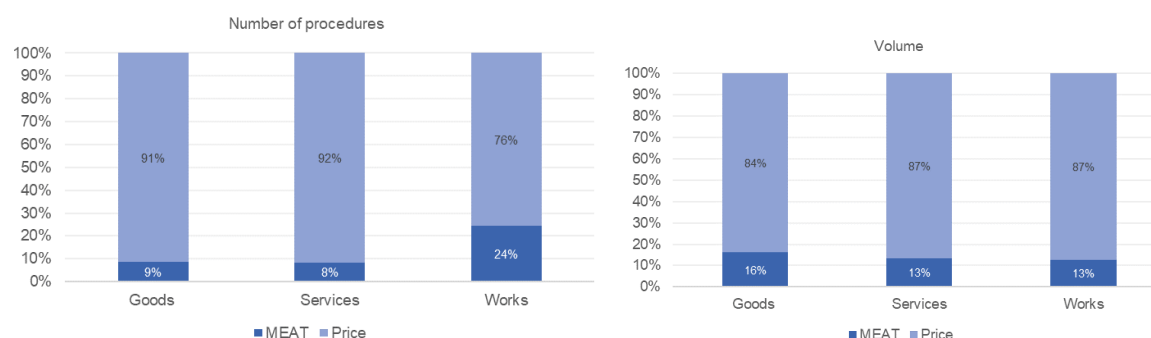
### 3.2. Which type of procurement processes are more exposed to the use of MEAT criteria?

As discussed before, MEAT criteria could include several dimensions relating to the quality of goods, services or works procurement. The specific elements included in award criteria inherently vary depending on product characteristics and on whether these features can be exhaustively described in technical specifications. For example, simple and standardised products are generally subject to assessments based only on price since all quality components could be objectively described in the tender documentation.



Public procurement operations typically cover 3 categories: goods, services and public works which represent respectively 27 %, 25%, 48% of the total procurement volume in the country. In terms of number of procedures, data shows that MEAT criteria is used significantly more often for the procurement of public works (24%) rather than goods (9%) and services (8%) . However, when analysing the procurement volume, data shows that share of MEAT criteria was more significant for goods (16%), rather than services and public works (both at 13%). (See Figure 3.8 ).

**Figure 3.8. Use of the MEAT criteria by object of the contract**



Source: Data provided by the PPO

This shows that specific actions, such as developing guidance, could be tailored to the object of the contract. For instance, in Ireland a dedicated guidance note has been developed outlining the procurement process for works contractors, with a specific section dedicated to evaluation criteria and the use of MEAT with a focus on quality criteria (see Box 3.1).

### Box 3.1. Quality criteria in the framework of public works

Award criteria that relates to quality should include the following:

- Methodology for carrying out the works on the project;
- Deployment of resources being made available for a particular project;
- Understanding and knowledge of the tender requirements;
- Detail as to how the Works will be delivered on time;
- Risk management;
- Communication skills and systems that are to be used to deliver the Works; and
- Approach to health and safety

Source: (Office of Government Procurement, 2018<sup>[18]</sup>)

Besides procurement categories, information on the use of MEAT criteria depending on the scale of the procurement process could also provide some insights in to whether in practice MEAT is used differently based on size and complexity. In the Slovak Republic, MEAT criteria can be used in two categories of procurement procedures: above threshold and below threshold (incl. low value contracts). Table 3.1 provides a description of the thresholds in place in the Slovak Republic. Currently an amendment to the PPA is being prepared, this amendment covers different topics including thresholds.

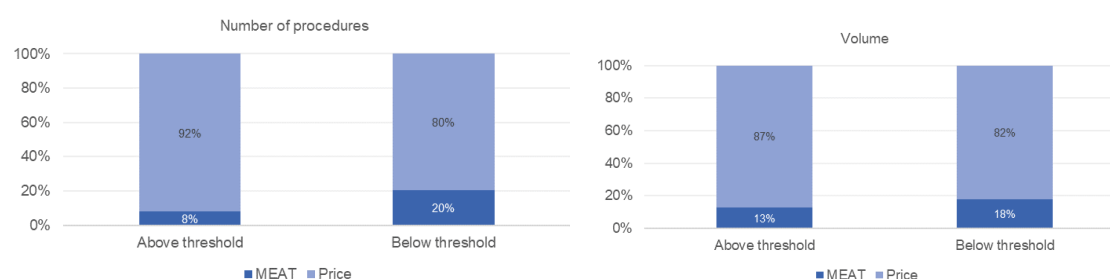
**Table 3.1. Public Procurement thresholds in the Slovak Republic**

ABOVE THE THRESHOLDS LIMITS	Contracting Authority (central government)	Contracting Authority (non-central government)	Contracting entity
Goods and Services	EUR 139.000	EUR 214.000	EUR 428.000
Service according to Annex 1 to PPA	EUR 750.000		EUR 1.000.000
Works	EUR 5.350.000		
BELOW THE THRESHOLDS LIMITS	Contracting Authority (central government)	Contracting Authority (non-central government)	Contracting entity
Goods and Services	EUR 70.000		-
Service according to Annex 1 to PPA	EUR 260.000		-
Works	EUR 180.000		-

Note: Contracting entities set their own directives regarding below threshold limits

Source: PPA

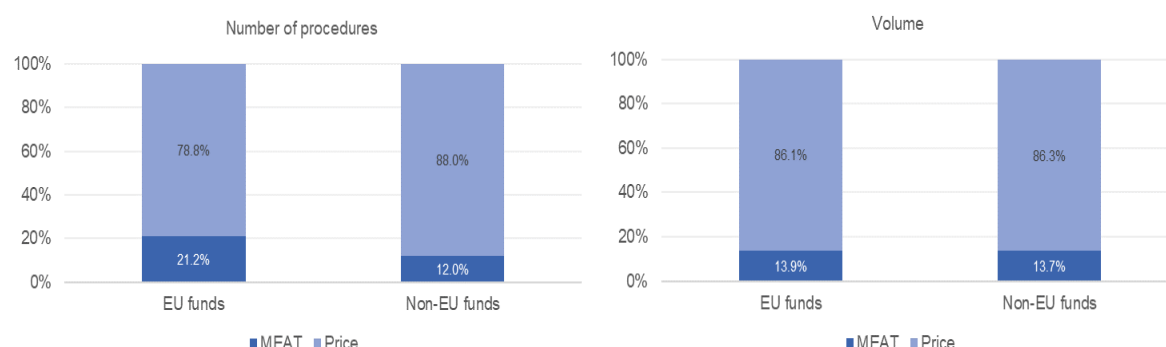
Data provided by the PPO shows that MEAT criteria is more often used in below-threshold procedures (20%) than above threshold procedures (8%). In terms of procurement volume, this trend is confirmed (See (Ministry of Finance of the Slovak Republic, 2021<sup>[19]</sup>)). These results could be explained by the fact that above threshold procurement often involves complex projects where public entities are using high technical specifications with the lowest price methodology. This shows the need to promote the use of MEAT criteria for above and below threshold procedures taking into account the level of complexity of the procurement procedure.

**Figure 3.9. Use of the MEAT criteria by threshold**

Source: Data provided by the PPO

As is the case for many countries in the European Union, the Slovak Republic uses EU funds. The allocation of EU funds (ESIF) for the programming period 2014-2020 was EUR 13 783 363 160, with depletion of 42,6 % to 31.03.2021 (Ministry of Finance of the Slovak Republic, 2021<sup>[20]</sup>). Procurement procedures financed by European Funds are subject to additional controls and specific requirements which could influence public buyers' willingness to use MEAT criteria, as it is often perceived as being more prone to individual discretion and which may lead to financial corrections when using EU funds.

Somewhat counter-intuitively, data shows that MEAT criteria are more often used for EU-funded public procurement procedures (21%) than non-EU funded (12%). However, there is no difference when analysing the procurement volume (See Figure 3.10

**Figure 3.10. Use of the MEAT criteria by financial resources (EU funds or not)**

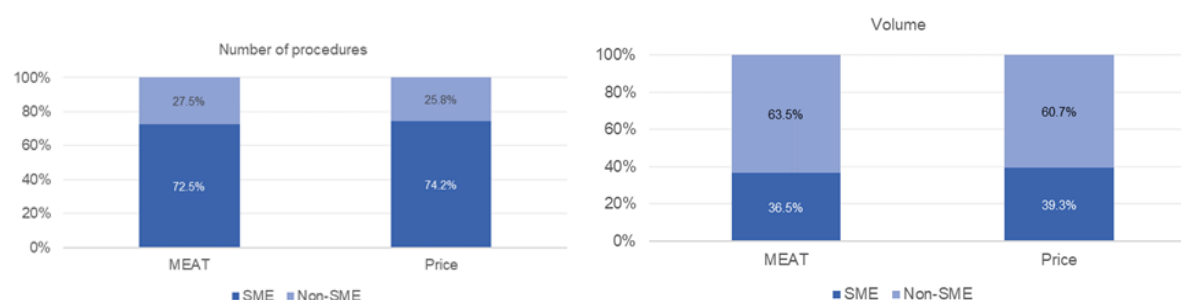
Source: Data provided by the PPO

### 3.3. How is the market responding to the use of MEAT criteria in public tenders?

Public procurement opportunities should promote competition and should not present a barrier to entry for some categories of economic operators, such as small and medium sized enterprises- SMEs. This section looks at market responses when they are asked to submit bids that will be evaluated with MEAT criteria.

SMEs represent 99.5% of the business population (excluding self-employed individuals) in the Slovak economy and are key players in the public procurement market. (OECD, 2020<sup>[21]</sup>) According to data provided by PPO, 72.4 % of public procurement procedures are awarded to SMEs which accounts for 38.9% of the total procurement volume.

Data shows that there is no significant correlation between the award of contracts to SMEs and the use of the lowest price criteria or MEAT criteria. Indeed, 72.5% of public procurement procedures using MEAT were awarded to SMEs, and this indicator was similar for the procedures using the lowest price criteria (74.2%). (See Figure 3.11) In terms of procurement volume, the difference is not significant: 36.5% of contracts were awarded to SMEs when using MEAT criteria and 39.3% when using the lowest price criteria. Therefore, the PPO could raise awareness that using MEAT criteria does not prevent SMEs from accessing the public procurement market.

**Figure 3.11. Use of the MEAT criteria by supplier category (SME or not)**

Source: Data provided by the PPO

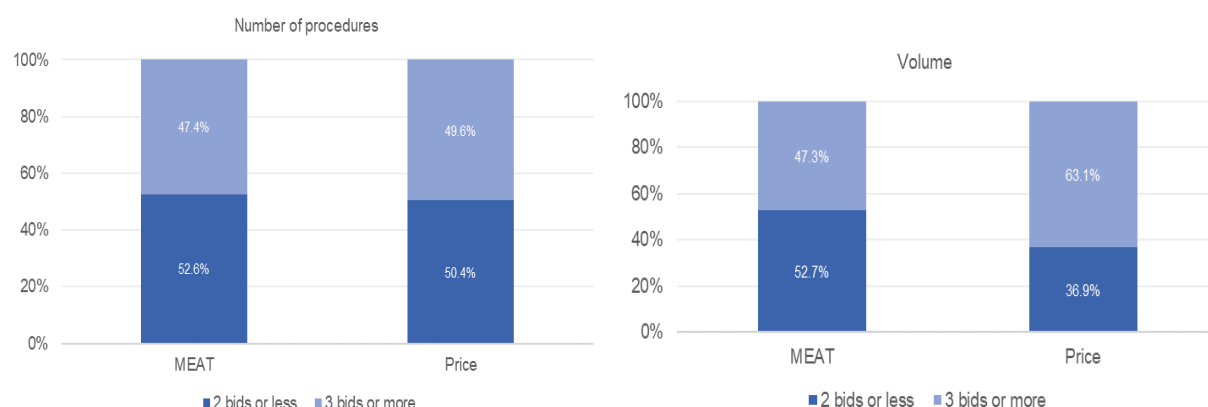
Besides looking at the characteristics of the winning bidder and assessing whether the use of MEAT criteria has an impact on it, one can evaluate the influence of award criteria on the extent of competition in public

tenders. The number of bids received when using the lowest price or MEAT criteria was analysed in terms of the number of procurement procedures and the procurement volume.

The average number of bids per procedure when using MEAT criteria is 2.87. The average is slightly higher when lowest price criterion is used: 3.22.

If we define competitive procedures as those receiving at least 3 bids, procedures using the lowest price criteria (50%) slightly outweighed those using the MEAT criteria (47%), but this difference cannot be considered as significant. When analysing data on the procurement volume, procedures using the lowest price criteria (63%) clearly outweighed those using the MEAT criteria (47%). (See Figure 3.12). However, definitive conclusions cannot be drawn only from this analysis. Indeed every tender opportunity is different and the relevant market, including the number of potential bidders, can vary. For instance, for some high value procurement procedures in specialised sectors where contracting authorities used MEAT criteria, the number of potential bidders could be lower than for procurement procedures for standardised goods, services or public works.

**Figure 3.12. Number of bids received by award criteria**

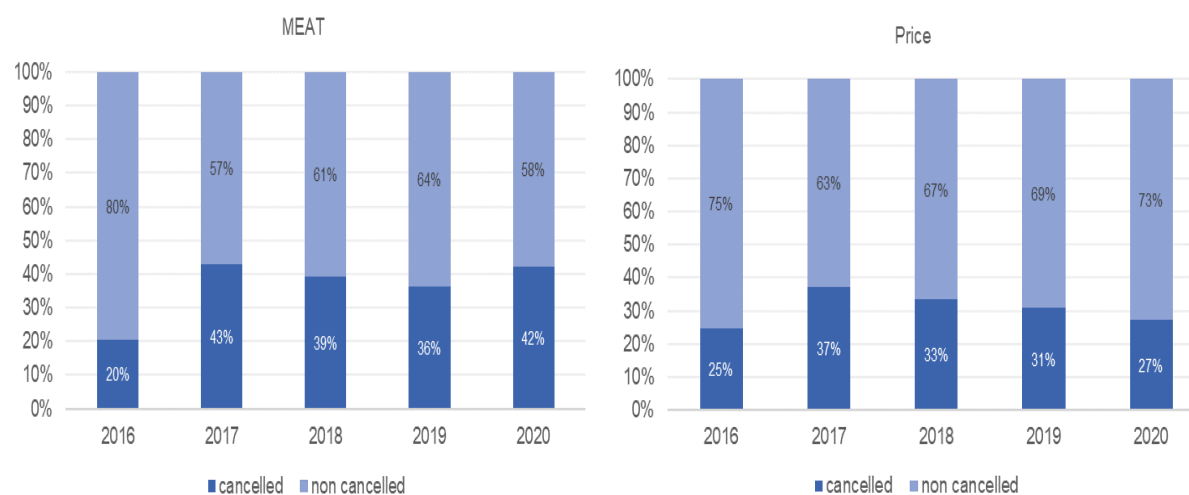


Source: Data provided by the PPO

On the other end of the competition spectrum, it could be useful to assess whether the use of MEAT criteria has an impact on cancelled procedures. In procurement procedures, different reasons can explain the cancellation of a tender. The Slovak PPA foresees four reasons: i) the absence of bidders who complied with the conditions for participation in the procurement procedure, ii) no bids were received, iii) none of the submitted bids complied with specific requirements detailed in Section 42 or Section 45 of the PPA, or iv) the PPO ordered the cancellation of the tender.

Data shows that overall, the use of MEAT criteria does not lead to increasing the probability of tender cancellation. Over five years (2016-2020), 34% of the public procurement procedures using MEAT criteria were cancelled, while the same indicator amounted to 32% for those using the lowest price criteria.

When the same data is analysed on a yearly basis, public procurement procedures using MEAT criteria were more often cancelled than those using the lowest price criteria except in 2016. (See Figure 3.13) This is perhaps because MEAT criteria may be more frequently used for procurement procedures with a higher complexity.

**Figure 3.13. Cancellation of tender by award criteria by fiscal year**

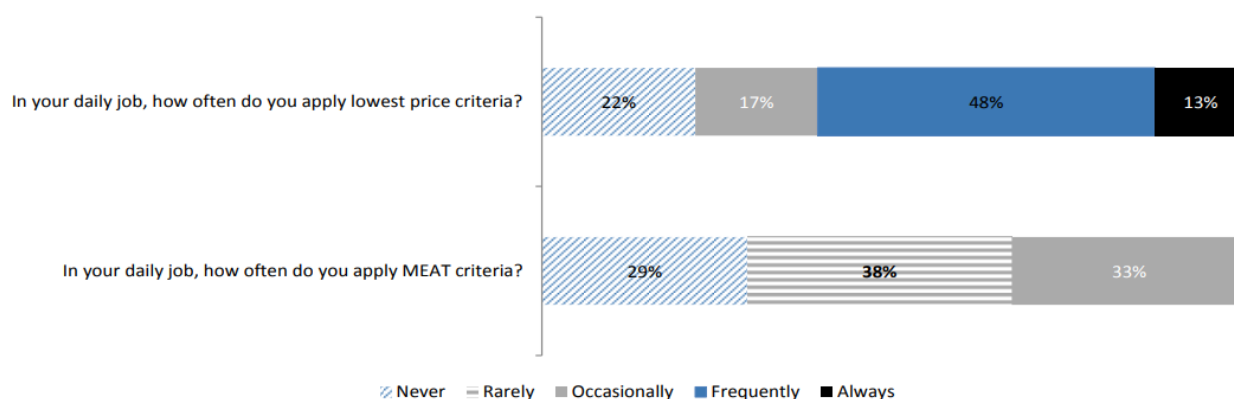
Source: Data provided by the PPO

# 4 Challenges experienced by public entities and economic operators in using MEAT criteria

## 4.1. The use and perception of MEAT criteria by public entities

Public entities are the one setting the award criteria in tender documentation. To enhance the use of MEAT criteria in procurement operations, their feedback needs to be considered. An OECD survey of 2016 in the context of EU funds shows that 38% of public entities use rarely MEAT criteria and 33% of them occasionally (see Figure 5.1). As described in chapter 2, the use of MEAT criteria has been steadily decreasing over the last 5 years. Therefore, the OECD conducted a new survey in March 2021 which aimed to understand the current practices and challenges faced when using MEAT criteria. The survey was answered by 14 public entities.

**Figure 4.1. Use of MEAT vs lowest price criteria in the Slovak Republic**



Source: (OECD, 2017<sup>[22]</sup>)

Public entities are in charge of preparing and running the tender procedures so they are, therefore, in charge of setting the appropriate award criteria. Results from the survey show that 36% of public entities integrate MEAT criteria in some of their procurement operations. Among those entities, more than half of them used MEAT criteria in less than 2% of their procurement procedures, which confirms a very low uptake of MEAT criteria in the Slovak Republic.

In addition to the use of MEAT criteria by public entities, the survey also assessed the perception of the difficulty of using MEAT criteria in procurement operations. Results of the survey show that more than 85% of public entities find using MEAT criteria either difficult or very difficult.

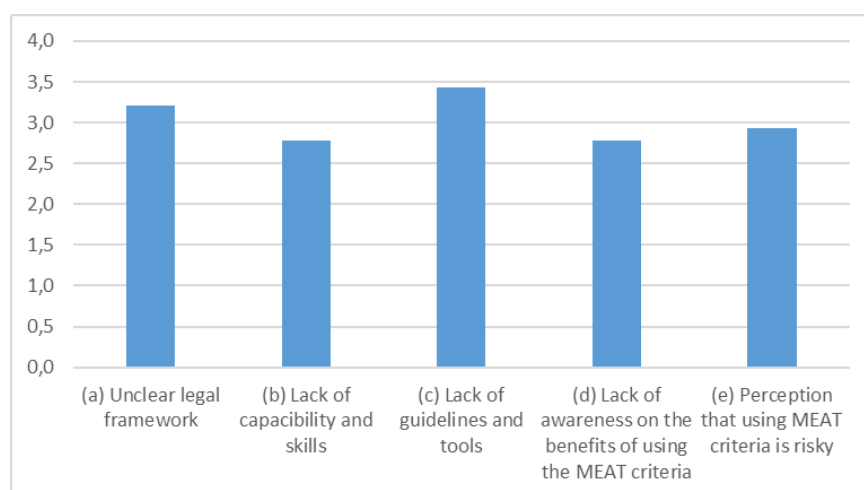
Furthermore, only 75% of surveyed public entities think that the e-procurement platform they are using is adapted to MEAT criteria while all the 11 platforms are adapted to MEAT criteria.

This highlights the need to strengthen the capacity of the procurement workforce and to raise their awareness on the strategic role of award criteria in terms of procurement outcomes. However, to do so, the first step is to understand the challenges faced public entities in using MEAT criteria.

## 4.2. Challenges in using MEAT criteria

To understand the low uptake of MEAT criteria in the Slovak Republic, one objective of the survey was to understand the specific challenges public entities are facing. Answers to the survey show that the top 3 challenges identified were the lack of guidelines and tools, followed by the unclear legal framework and the perception that using MEAT criteria is risky ( see Figure 4.2).

**Figure 4.2. Challenges faced by public entities in using MEAT criteria**



Source: Data from questionnaire research

Note: answers were rated as following: very challenging = 4 points, challenging = 3 points, not so challenging = 2 points, not challenging = 1 point

The section below provides further analysis of the results ranked by the score on the challenges.

- **Lack of guidance and tools.** Despite the publication by the PPO of a few guidelines mentioning MEAT criteria, there are no dedicated guidelines on this topic that can help public buyers to set adequate award criteria for different procurement categories.
- **Unclear legal framework.** The Slovak PPA and its interpretation is ambiguous and unpredictable in the long term, resulting in inconsistency over time. For instance, at least 17 amendments to the PPA were made since 2016. Answers to the questionnaire highlighted that the oversight bodies from both the EU and Slovak level often apply different interpretations in relation to specific provisions. This leads to public entities opting for the simplest option which is often the lowest price criterion.
- **Perception that using MEAT criteria is risky.** While data shows that there is no strong correlation between the use of MEAT criteria and the cancellation of tenders or number of bids received, public

entities still perceive that the use of MEAT criteria is more risky. The same conclusions could be drawn on the link between challenges with control bodies and objections when using MEAT criteria. Indeed, only one public entity mentioned specific challenges with control bodies and objections.

- **Lack of awareness on the benefits of using the MEAT criteria.** Materials published mostly by the PPO highlight the overall benefits of using strategic procurement such as incorporating social, green and innovative aspects in public procurement operations, however no specific emphasis is made on the benefits of MEAT criteria. (Public Procurement Office of the Slovak Republic, n.d.<sup>[23]</sup>)
- **Lack of capacities and skills** is considered as challenging, mostly by public bodies from non-central government. This disparity is likely caused by the fact that central government bodies such as ministries have various analytical departments at their disposal, supporting the procurement workforce in setting MEAT criteria. The questionnaire also showed, that many public bodies consider they do not have enough procurement officials, which leads a lack of time available for training and trying new procurement practices. It is important to highlight that most challenges are directly linked to capacity issues such as the lack of guidance and tools, etc.

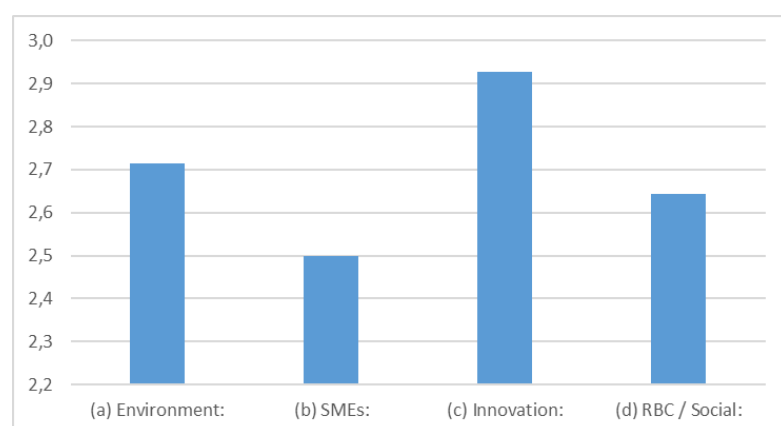
### 4.3. Challenges on the use of strategic procurement impacts the use of MEAT criteria

The use of MEAT criteria directly supports a more strategic approach to public procurement, namely advancing the environmental social and innovation agenda. Indeed, the MEAT methodology gives the possibility to set adequate criteria in relation to these policy objectives.

Understanding the challenges in implementing strategic procurement could also help advancing the uptake of MEAT criteria related to strategic procurement. Responses to the survey show that 64% of public entities have used public procurement to pursue environmental objectives. Regarding SMEs, innovation and social considerations, this share is respectively 43%, 29% and 57%.

Corroborating the premise that public entities have little experience in using public procurement to promote innovation, answers to the survey show that public entities find pursuing this objective the most difficult one with a score of 2.9, followed by environment, responsible business conduct/ Social aspects and SMEs (see Figure 4.3).

**Figure 4.3. Level of difficulty in using public procurement to achieve different policy objectives**



Source: Data from answers to a questionnaire on the use of MEAT criteria

Note: answers were rated as following: very challenging = 4 points, challenging = 3 points, not so challenging = 2 points, easy = 1 point



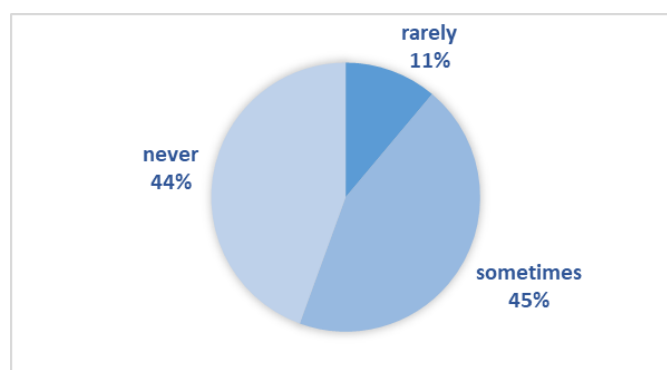
In practice, no data is available on the effective implementation of the different policy objectives considered under strategic procurement. However, data shows that the uptake of MEAT criteria is low in the Slovak Republic, which has direct implications for the implementation of strategic procurement.

#### 4.4. The perception of MEAT criteria by economic operators

Data from the European Commission shows that the average use of MEAT criteria for tenders between 2006 and 2016 was 62%. However, the use of MEAT criteria varies widely between countries and in Slovakia counts for less than 20% (see Figure 3.1). The analysis above showed what the main barriers for the wider use of MEAT criteria on the side of contracting authorities are. However, it could also be useful to understand the views of economic operators. Indeed, they are an integral part of the procurement equation and integrating their perception when designing a national strategy to increase the uptake of MEAT criteria in public tenders could reinforce the effectiveness of such a strategy. Therefore, the OECD issued a survey to which a representative sample of economic operators (large and small suppliers from various sectors) have responded.

Firstly, the analysis shows how often economic operators bid in public tenders where MEAT criteria are used. Unsurprisingly, results showed that the majority of respondents either never or rarely replied to public tenders where MEAT criteria were used (see Figure 4.4).

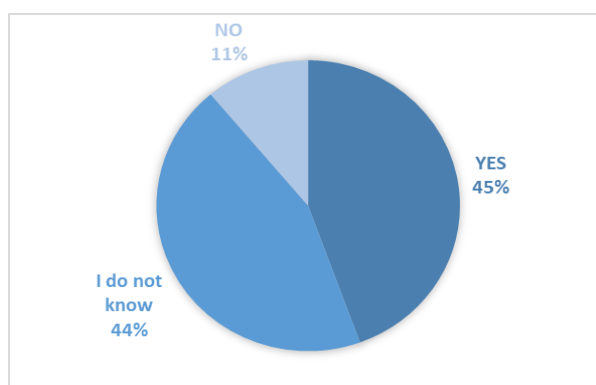
**Figure 4.4. How often economic operators responded to procurement opportunities using MEAT criteria?**



Source: Data from answers to a questionnaire on the use of MEAT criteria

While having low or inexistent experience with tenders integrating MEAT criteria, the survey demonstrated an appetite from the private sector to participate more in procurement processes where quality is assessed alongside prices. Indeed, 89% of participants indicated they would like to see more procurement opportunities using MEAT criteria even if 45% of economic operators consider it more challenging to prepare bids when MEAT criteria are used (see Figure 4.5). As using these criteria is perceived as more risky by contracting authorities the analysis looked at the suppliers' experience in this regard. Only 11% of respondents indicated that they had filed an objection to tenders using MEAT criteria and 22% participated in tenders where objections had been put forward by other bidders. Furthermore, approximately half of economic operators think that procurement opportunities using MEAT criteria are more prone to objections than the ones using the lowest price criteria. However, no data is available on the link between objections and the use of MEAT criteria. Despite this perception, economic operators are willing to participate more often in procurement procedures using MEAT criteria.

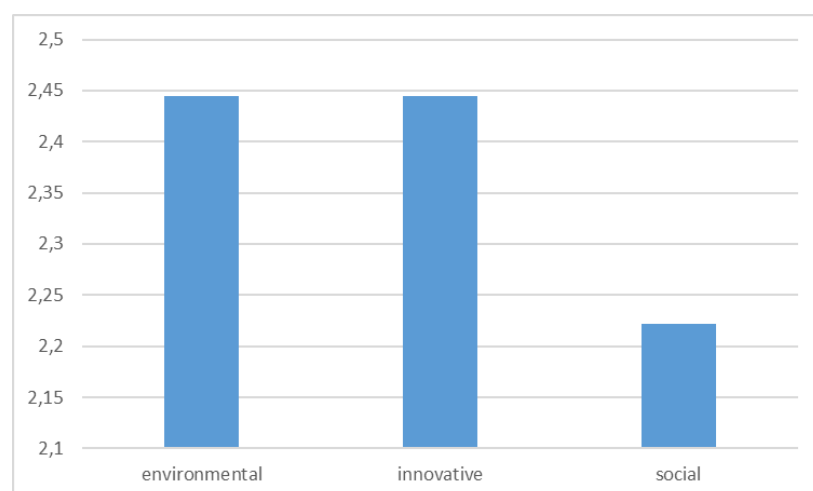
**Figure 4.5. Share of economic operators that consider as challenging to respond to procurement opportunities using MEAT criteria**



Source: Data from answers to a questionnaire on the use of MEAT criteria

Given the link between the use of public procurement to achieve strategic objectives and MEAT criteria, the survey looked at the level of difficulty for economic operators to prepare bid proposals that consider broader policy objectives. Answers to the survey show that more than half of economic operators consider that preparing bids which consider environmental, innovative or social policy objectives is easy or not difficult. When comparing the level of difficulty perceived by economic operators when preparing proposals that address broader policy objectives, bids with social aspects are considered the easiest to prepare, while bids with innovation and environmental objectives are comparatively more difficult (see Figure 4.6). These findings are somewhat aligned with those pertaining to of public entities. Indeed as described in Figure 3.3, public entities consider the use of public procurement to achieve innovative and environmental objectives as being the most difficult targets. This suggests the need to further develop guidance on MEAT criteria for specific policy objectives targeting both the public and private sectors.

**Figure 4.6. Level of difficulty to prepare bid proposals that consider broader policy objectives.**



Source: Data from questionnaire research

Note: answers were rated as following: very difficult = 4 points, difficult = 3 points, not so difficult = 2 points, easy = 1 point

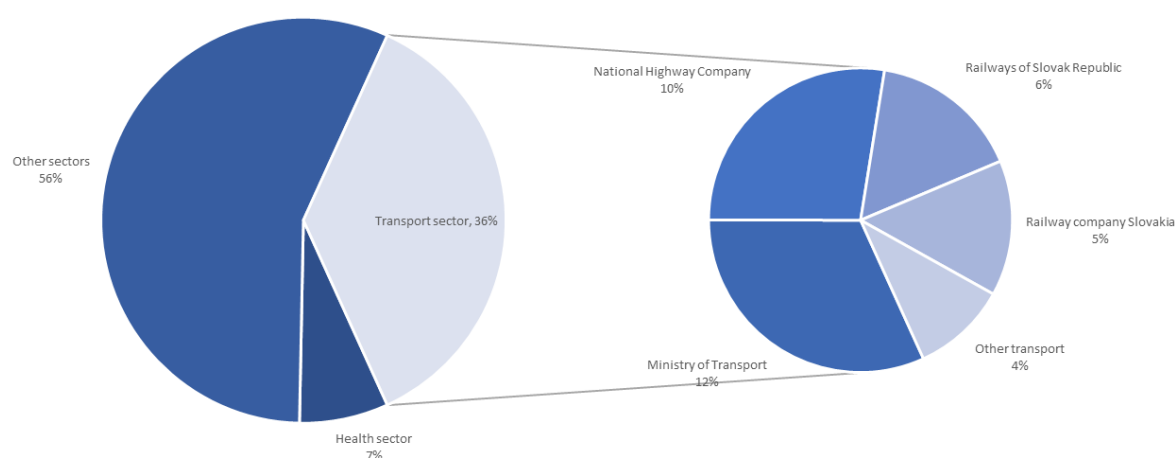
# 5 The use of MEAT criteria in the health and transport sector

## 5.1. A deep-dive into the health and transport sectors

This chapter focuses on two relevant sectors: transport and health. Altogether, the health and transport sectors represent 43% of the procurement volume in the Slovak Republic. Transport alone constitutes the largest sector in terms of procurement spending as it accounts for 36% of the total procurement volume in the country. Data shows that the health sector only accounts for 7% of the total procurement volume, however, as shown by the COVID-19 crisis, health procurement is critical to the provision of many essential goods and services, hence the specific focus in this chapter. (See Figure 5.1). Data used in this section is the same as that used in the Chapter 2 but the focus here is on public entities within the health and transport sectors. Desktop research identified 29 entities from the transport sector and 97 entities from the health sector.

As described in Table 2.2, the top 4 public entities in terms of procurement spending belong to the transport sector (Ministry of Transport and Construction, National Highway Company, Railways of Slovak Republic, and Railway Company Slovakia). While these 4 entities represent only 14% of the entities in the transport sector, they account for 89% of the procurement spend. The General Health Insurance Company is the largest public entity from the health sector, the 6<sup>th</sup> largest entity nationwide in terms of procurement spend and represents 40% of the procurement volume in the health sector.

**Figure 5.1. Share of transport and health sectors in the total procurement volume**



Source: Data provided by the PPO

### 5.1.1. Snapshot on the Slovak Health sector

The Slovak healthcare system is based on compulsory health insurance, giving access to a basic package of services available to the entire population. In 2020, the expenses reached 5.76 billion euros (6,3% of GDP) (Statistical office of the Slovak Republic, 2021<sup>[24]</sup>). The health and social services sector accounts for 6.96% of total employment in the Slovak economy, making it one of the medium-sized sectors. (Sector Council for Health, n.d.<sup>[25]</sup>)

The Slovak Ministry of Health plays a central role in the administration of the system. The Ministry defines the basic package of services and relies upon health insurance companies to conclude contracts with providers, which is perceived as key in guaranteeing the availability of health services. In addition, it owns approximately 40% of all hospital facilities, including university hospitals and highly specialised institutions, and is the sole shareholder of the largest health insurance company. (OECD / European Observatory on Health Systems and Policies, 2017<sup>[26]</sup>)

Most of the healthcare providers are so-called state budget organisations. These organisations are the Slovak equivalent of non-profit legal entities, which are established by central state administration bodies or local self-government bodies for the purpose of providing services in the public interest. In addition, there are 54 private hospitals and several medical facilities with a mixed form of ownership in Slovakia.

The health sector has been one of the most severely affected sectors by the COVID-19 pandemic. The recovery plan of the Slovak Republic published in 2021 allocates EUR 1.45 billion to this sector. In the coming years, investment will be directed mainly to digitalisation, construction and reconstruction of hospitals, support for doctors to open their own medical practices, enhancing the capacity of the healthcare workforce, and the creation of national mental health hotline. Compared to the programming period 2014-2020, only EUR 72 million was allocated to the health sector from EU funds (the Integrated Regional Operational Program fund). (Ministry of Health of the Slovak Republic, 2020<sup>[27]</sup>)

However, the way to improve health care system is not only through investments. The revision of expenditures carried out in 2019 by the Ministry of Health and the Ministry of Finance showed that the low value for money in the Slovak healthcare system is caused by inefficient allocation of resources. Compared to other countries, the Slovak Republic has high expenditures on medicines, diagnostics and examinations for specialists due to an excessive number of visits. The efficiency of those expenditure categories could be further improved. These findings resulted in several recommendations, some of them related to public procurement operations (Ministry of Finance of the Slovak Republic, 2019<sup>[28]</sup>):

- Obtain the best unit prices for procured services in hospitals
- Unify the object and parameters of procurement contracts for services for all hospitals in order to ensure mutual comparability, expenditure value and efficient spending of public resources.
- Benchmark unit prices of procured operational services in healthcare sector against selected companies in other public administration sectors every 6 months.
- Stop concluding operational contracts for periods shorter than 1 year
- Support centralised procurement of drugs

Using public procurement strategically could aid rationalisation of public spending and enhance the quality of health services; in this sector, the Ministry of Health is a key actor filling the role of control body, approving all public procurement contracts with a value above EUR 15 000. Furthermore, the ministry has its own analytical unit called Health Policy Institute (HPI) that provides and updates a database of different public procurement contracts and their related value to enable public entities in this sector to perform benchmarks. The HPI can also support procurement officials in this sector to set the adequate award criteria, especially when procuring specialised health devices.

Procurement strategies in the health sector have an impact on health outcomes and spending. Indeed, choosing the adequate award criteria can enable health entities to find a solution that best fits their holistic

needs, rather than cheaper solutions that will fail to provide them with the most advantageous solution. For instance, using qualitative and cost criteria in health procurement could enhance the efficiency of the healthcare system that can be calculated using different indicators such as the average stay in hospitals. (OECD, 2018<sup>[29]</sup>)

### ***Snapshot on the Slovak transport sector***

Transport infrastructure is pivotal for the achievement of economic growth, increasing the competitiveness of economic operators and the well-being of society. It contributes to greater employment and is a key factor in the inflow of foreign investment, the development of tourism and reduction of disparities between regions and countries (OECD, 2020<sup>[30]</sup>).

In the Slovak Republic, the transport, logistics and postal services sector accounts for 6.75% of total employment in the national economy, making it one of the medium-sized sectors.

In line with national and European ambitions towards greener economies, the Slovak transport sector needs to undergo far-reaching changes to achieve long-term sustainability and support the green economy. Transport is considered as one of the largest air pollutant sectors in the country, hence the significant investments required to overcome this challenge. The 2021 recovery plan reflects the importance of green investments with an allocation of EUR 2.1 billion including EUR 750 million allocated to sustainable transport, in particular for investments in the railway transport, its connection with bus lines, support of alternative fuels in transport, investments into cycle lanes and ecological public transport, etc (Ministry of Finance of the Slovak Republic, 2021<sup>[19]</sup>).

The Ministry of transport and construction of the Slovak Republic alongside local governments, plays a central role in the transport sector. Indeed, the Ministry is responsible for different entities providing transport services in the country. These include budgetary organisations (5), state-owned enterprises (15), and non-profit organisations (2). In 2021, the share of planned expenditures from the state budget for the Ministry of transport and the organisations belonging to it approximated EUR 1.5 billion.

Local governments are in charge of providing the local transport system. They own and fund local transport companies and regional road management companies. For instance, the planned budget for mobility and public transport for 2021 is in City of Bratislava EUR 85 million (City of Bratislava, 2020<sup>[31]</sup>); for the city of Košice, this budget has been set at EUR 45 million. (City of Košice, 2020<sup>[32]</sup>)

One of the main challenges of the transport sector in the Slovak Republic is the long-term unfavorable development of road transport, especially individual (non-public) transport. The surrounding European countries with similar economic developments face similar challenges. However, the Slovak Republic is one of the European countries with the largest share of trains and buses, i.e. public transport (25.2%). The lowest share is in Portugal (10.9%), the highest in Hungary (31%) (EURACTIV Slovensko, 2019<sup>[33]</sup>).

Despite a relatively dense railway network, the quality of the railway transport in the Slovak Republic lags significantly behind other developed countries. Its main shortcomings include the low level of high speed lines, sections without electrification and the lack of technologies for the smooth transport of goods and passengers. The railway system is in the need of renovations. Furthermore, there is also a need to rebuild and expand the main roads. (Slovak Road Administration Company, 2020<sup>[34]</sup>) The Slovak road network consists of 495 km of motorways (operated by the National highway company), 271 km of expressways (operated by the National highway company), 3 333 km of 1st class roads (operated by the Slovak road administration company), 3 631 km of 2nd class roads and 10 340 km of 3rd class roads (operated by the Self - government regions). (Slovak Road Administration Company, 2020<sup>[35]</sup>). However, both railway and road transport investments rely extensively on EU funds. The transport sector receives the largest allocation of EU funds. Within the programming period 2014-2020, to 31.03.2021 around EUR 2.26 billion were spent on the transport sector. (only 38% from the total allocation). (Ministry of Finance of the Slovak Republic, 2021<sup>[20]</sup>)

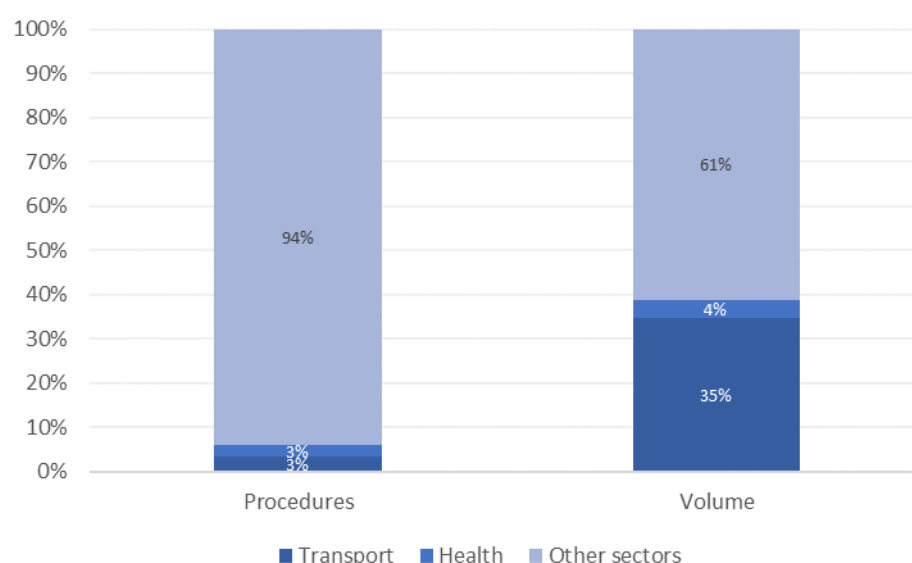
Similar to the health sector, procurement strategies in the transport sector have an impact on transport outcomes and spending. For instance, introducing qualitative criteria when procuring transport infrastructures and goods, such as construction materials and CO<sub>2</sub> emissions, positively affects their lifespan and supplementary costs such as the maintenance.

## 5.2. State of play on the use of MEAT criteria in the health and transport sector

Governments are in charge of providing critical public services to their citizens. Among those public services, health and transport have a direct impact on the quality of life of citizens, employment issues, trade development, etc. The procurement of goods, services and infrastructure in these sectors have a clear impact on the quality and quantity of services provided. Health and transport also involve the procurement of complex and or specialised goods, services and public works. Thus, the use of MEAT criteria in these sectors could achieve a greater value for money and better public services. Indeed, the lowest price may be convenient for very standardised products/services but it is not well suited to purchases that are more complex (European Commission, 2017<sup>[36]</sup>). This section provides an overview of the state of play on the use of MEAT criteria in the health and transport sectors

The transport sector is leading the use of MEAT criteria as it accounts for 35% of the volume of public procurement procedures using MEAT criteria in the country. On the other hand, it represents only 3% in terms of the number of procedures using these criteria. (See Figure 5.2) This is because procurement operations in this sector involve large infrastructure projects with high average contract volume. The average contract value of the transport sector is EUR 7 767 513; greatly outweighing the average in the health sector (EUR 1 230 542) and the national average (EUR 1 427 345). Some entities within those sectors have a much higher average contract price. For example, the average contract amount of the Ministry of Transport and Construction reaches EUR 79 981 675 (total procurement volume of EUR 1 919 560 198 for 24 procurement procedures). In the health sector, the average contract value of the General Health Insurance Company amounts to EUR 4 673 003.

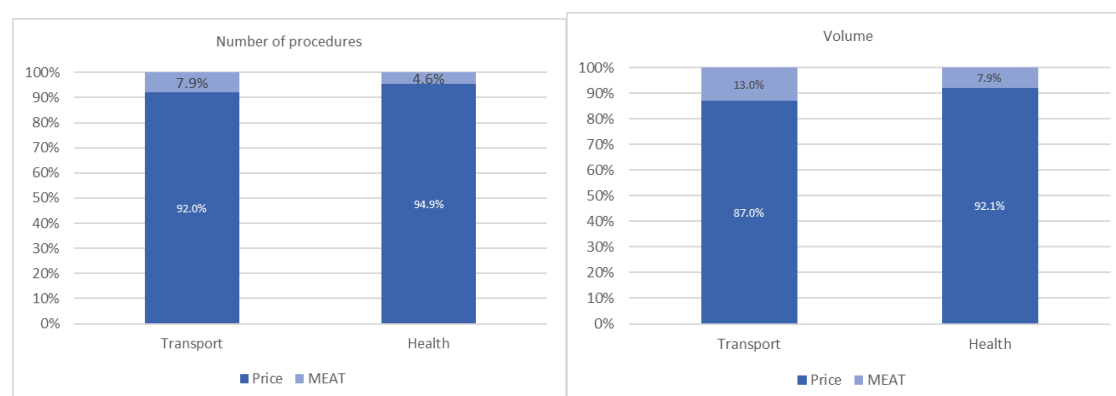
**Figure 5.2. The share of the health and transport sectors in procedures using MEAT criteria in terms of procurement volume and procedures**



Source: Data provided by the PPO

However, these figures do not necessarily mean that the use of MEAT criteria in these sectors is promoted enough. Indeed, the use of MEAT criteria in the transport and health sectors is relatively low when compared to the national average (15.6% in terms of procurement procedures and 13.8% of procurement volume). In the transport sector, public procurement procedures using MEAT criteria account for only 7.9% in terms of the number of procurement procedures and 13.0% of procurement volume, while this indicator is 4.6% and 7.9% for the health sector. (See Figure 5.3)

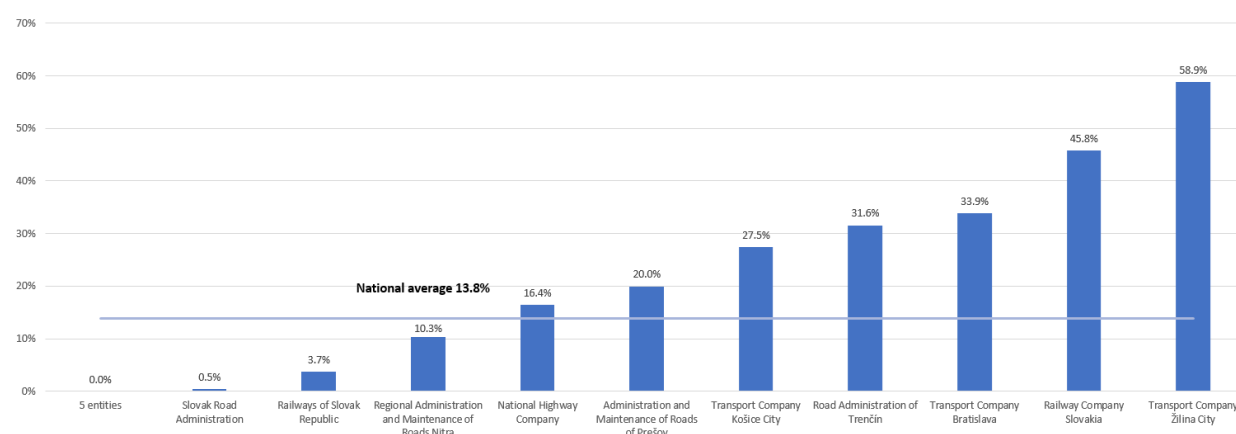
**Figure 5.3. Use of the MEAT criteria by sector**



Source: Data provided by the PPO

Figure 5.4 shows the share of the procurement volume where MEAT criteria was used in each of the top 15 public entities in the transport sector. Among those entities, seven were above the national average of 13.8%: Transport Company Žilina City, the Railway Company Slovakia, the Transport Company Bratislava, the National Highway Company, the Road Administration of Trenčín, the Transport Company Košice City, the Administration and Maintenance of Roads of Prešov, and the National Highway Company, where the share of the procurement volume using MEAT criteria was respectively 58.9%, 45.8%, 33.9%, 31.6%, 27.5%, 20.0%, and 16.4%. On the other hand, the five entities never used the MEAT criteria.

**Figure 5.4. Share of the procurement volume where MEAT criteria was used in top 15 entities in the transport sector**

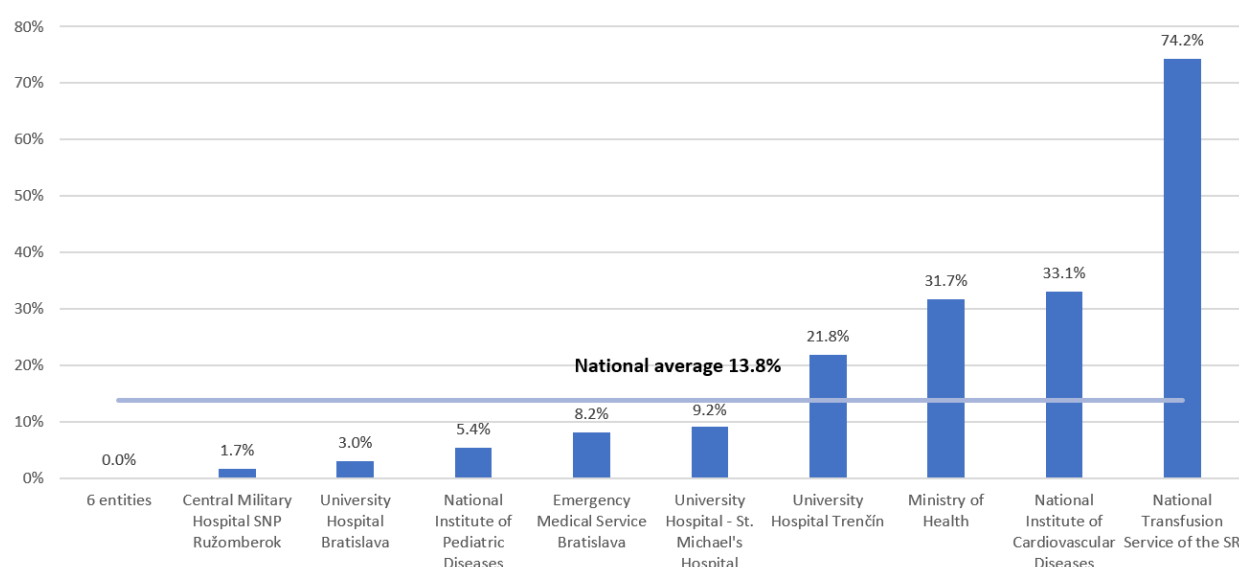


Note: 5 entities refer to Ministry of Transport and Construction, Transport Company Prešov City, Railway Company Cargo Slovakia, and Administration and Maintenance of Roads of Trnava

Source: data provided by the PPO

Figure 5.5 shows the share of the procurement volume where MEAT criteria were used in each of the top 15 public entities in the health sector. Among those entities, only four were above the national average of 13.8%: the National Transfusion Service of the SR, the National Institute of Cardiovascular Diseases, the Ministry of Health, and the University Hospital Trenčín, where the share of the procurement volume using MEAT criteria was respectively 74.2%, 33.1%, 31.7%, and 21.8%. On the other hand, the six entities including the General Health Insurance Company, the largest procuring entity in the health sector, never used MEAT criteria.

**Figure 5.5. Share of procurement procedures using MEAT criteria in top 15 entities in the health sector**



Note: 6 entities refer to General Health Insurance Company, East Slovak Institute of Cardiovascular Diseases, National Center for Health Information, University Hospital with Polyclinic F.D. Roosevelta Banská Bystrica, Public Health Office of the SR, and University Hospital with the Nové Zámky Polyclinic

Source: data provided by the PPO

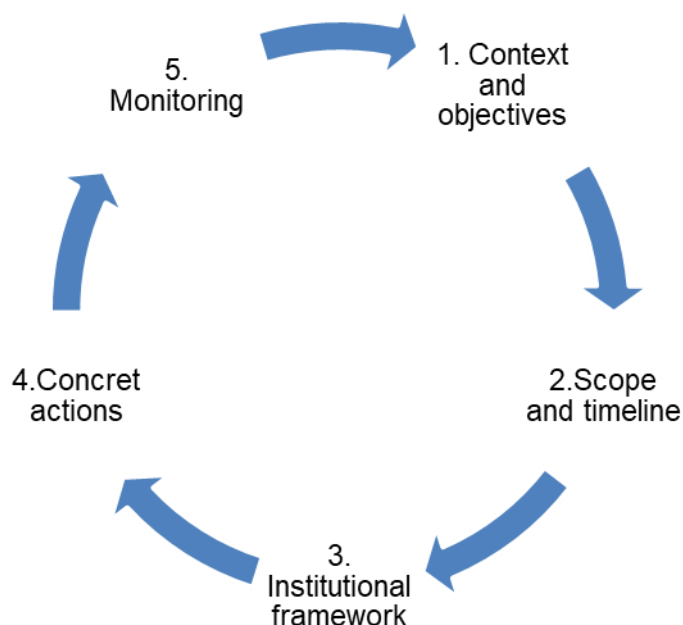
This implies that entities such as Transport Company Žilina City, Railway Company Slovakia, and National Transfusion Service of the SR are very active in the use of MEAT criteria and could share case studies and hands-on experience in using MEAT criteria in public procurement procedures. In parallel, this data shows that there are many large public entities in the transport (5 entities) and health (6 entities) sectors that perform below the national average on the use of MEAT criteria. Those entities could therefore increase the use of MEAT criteria in the future.



# 6 The way forward: Implementing a strategy to enhance the use of MEAT criteria

## 6.1. When designing the strategy, a number of parameters need to be accounted for

The use of MEAT criteria in the Slovak Republic is relatively low. To improve the situation, the Slovak Republic intends to develop a dedicated strategy with concrete actions to implement. As most strategies, it should include the following elements: i) Context and objectives of the strategy highlighted the expected benefits, ii) the scope and timeline, iii) the institutional framework, iv) concrete actions and, v) monitoring of the strategy.



Therefore, the first step is to define the context and the objective. Data from the previous chapters provide a wealth of information on the low uptake of MEAT criteria in the Slovak Republic. The context will provide the rationale for the objective of the strategy, which is to enhance the uptake of MEAT criteria in the country.

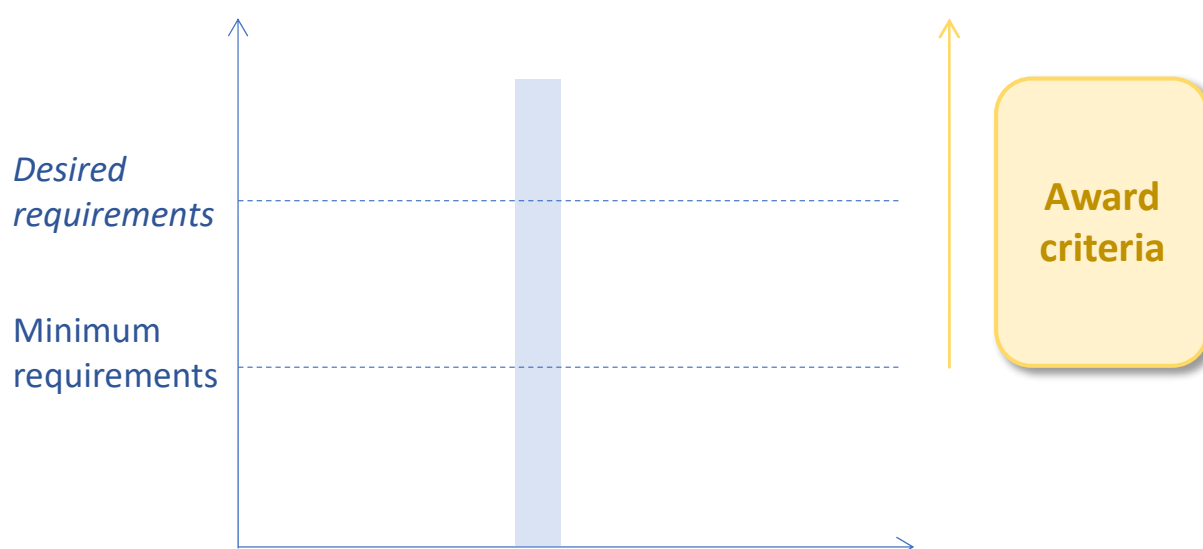
### 6.1.1. Communicating on the benefits of using MEAT criteria and understanding existing barriers

#### *Finding the right balance between award criteria and tender requirements*

Specific tender opportunities are designed to encourage broad participation from potential competitors, including new entrants and small and medium enterprises (OECD, 2015<sup>[1]</sup>). A tender is comprised of different elements that might influence market participation and thus its outcome. Those elements include selection criteria, the tender requirements (technical specifications), and award criteria. While tender requirements describe the subject matter and impose minimum measurable requirements, award criteria aim to facilitate choosing the best offer that meets the minimum technical specifications. Therefore, the definition of tender requirements and award criteria should go hand in hand.

To better understand the link between award criteria and tender requirements, there are two notions to consider: the “minimum tender requirements” and the “desired tender requirements”. Minimum tender requirements describe the minimal requirements that an entity identifies to respond to its needs, while desired tender requirements are the ones that go beyond the minimum technical specifications and may better respond to the needs of the entity. Therefore, it is recommended to set minimum technical specifications but use MEAT criteria to choose the offer that responds best to the public entity’s needs whilst at the same time providing the optimal value for money. Indeed, using excessive requirements with the lowest price methodology may present a barrier to entry for potential suppliers and thus have a negative impact on competition, innovation and procurement outcomes.

**Figure 6.1. Minimum vs desired technical requirements**



In practice, based on the interviews with different stakeholders, in order to avoid issues during the performance of contracts, contracting authorities tend to set high technical specifications including on quality and environmental aspects and use the lowest price evaluation methodology. For example, as previous analysis shows, the Ministry of Transport and Construction which is the largest public buyer does not use any other criteria than price. This practice could have a negative impact not only on procurement outcomes but also on innovation and the development of alternative solutions.

To inform the strategy, it would be important to explicitly discuss with public institutions current practices and barriers to the use of MEAT criteria in public tenders. As a result, the strategy to enhance the use of MEAT criteria could also explain the challenges with too prescriptive technical specifications and

recommend that public entities set minimal technical specifications with MEAT criteria. Box 6.1 provides further insights on how to use MEAT criteria with technical specifications.

#### **Box 6.1. The two approaches to set MEAT criteria and technical specifications.**

When the MEAT criterion is used, in general terms, a contracting authority may decide to operate in particular in one of the following manners:

- Fix the minimum mandatory specifications that all tenders must meet, which will be evaluated on the basis of a pass or fail system, and then award scores to those tenders that have achieved a pass. The scores will reflect the degree to which a tender exceeds the minimum specifications.
- Fix, in addition or as an alternative to mandatory specifications, specifications that do not entail the application of a minimum “threshold” and that will be scored on the basis of the level of compliance of tenders with the contracting authority’s requirements. In this case, some variability with regard to the level of compliance is acceptable.

Source: (SIGMA, 2011<sup>[37]</sup>)

#### *Highlight the relevance of MEAT criteria to achieve broader policy objectives*

The EU directives highlight the importance of strategically using public procurement to achieve broader policy objectives such as sustainability, innovation and the development of SMEs. Different procurement mechanisms can be used to make headway with strategic procurement such as the professionalisation of the procurement workforce, technical specifications, special procurement procedures, and qualification and award criteria. The use of MEAT criteria is one clear mechanism to obtain results in this area. On the one hand, the EU directives mention the possibility to use environmental, social and innovative criteria as part of the MEAT methodology. On the other hand, other criteria such as quality and cost-effectiveness can contribute also to enhance the implementation of complimentary policy objectives (EU Parliament and Council, 2014<sup>[2]</sup>) For example, the Austrian Federal Real Estate Agency used MEAT criteria to carry out an Innovation Partnership to procure innovative solutions in the development of software of public building management. (See Box 6.2)

### **Box 6.2. Use of MEAT criteria under the Innovation Partnership by the Austrian Federal Real Estate Agency (BIG)**

Austrian Federal Real Estate Agency (BIG) is a central purchasing body for the Federal Government of Austria, and owns and manages more than 2 200 properties across Austria. In 2020, BIG won the award of "Outstanding Innovation Procurement in ICT" which is supported by the EU-funded Procure2Innovate Project, due to its innovative approach of using software for sustainable real estate management.

BIG wanted to optimise the use of public buildings throughout Austria to achieve two goals. The first was to make space available for new uses. Often, buildings are only utilised for a few hours a day, especially at schools. The second was to only heat or cool rooms when they are in use. These two goals aimed at making better use of space and energy.

BIG decided to use an innovation partnership because the required solution was not available on the market. Subject matter of the contract was the formation of an innovation partnership with several companies for development, implementation and delivery of a software and app solution for an electronic administration tool in the area of property and facility management.

The procurement was conducted using a two-stage process between May 2019 and December 2019. Stage 1 was a prequalification stage. Stage 2 was held in the form of a negotiated procedure ending with a last and final offer.

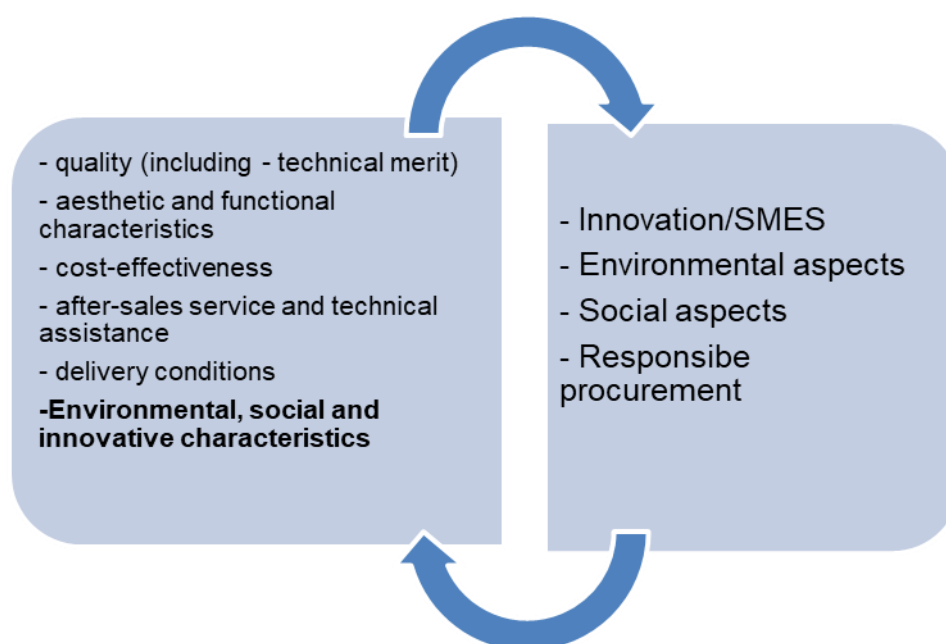
The MEAT criteria was used with the weighting of 80% quality (of which 40% was awarded for the concept, and 40% for presentation), and 20% price. Bidders were asked to share technical details of the software, as well as a full business plan. The quality evaluation was conducted by evaluating the proposed solution according to "concept" quality sub-criteria: (i) project structure; (ii) project organisation; (iii) project leader and deputy project Leader; and (iv) distribution strategy. "Presentation" sub-criteria were assessed according to the (i) conclusive and comprehensible communication of the elaboration and results of the concept; (ii) conclusive and comprehensible answers to any additional questions about the concept; and (iii) communication skills, performance / personal and social skills.

The call for tender attracted a lot of interest, with over 90 companies that downloaded the call. 11 companies from three European countries submitted applications to the prequalification stage. Out of these 11 bidders, 6 fulfilled the innovation specifications. After the review of errors in the applications, four companies were invited to stage 2. Contracts were signed with two companies in February 2020.

Both contractors reported positive benefits from participating in an innovation partnership with BIG. The developed solution makes use of IoT devices which provide real time data on public buildings and simplifies targeted communication and information provision in real time via a central platform for all users. The advantages range from news, surveys, FAQs, calendar and booking functions, damage reports to canteens' menu plan.

Source: (ICLEI European Secretariat, 2021<sup>[38]</sup>)

**Figure 6.2 Link between MEAT criteria and complementary policy objectives**



In the Slovak Republic, as described in Section 2.2, 7 strategies were developed to further the implementation of broader policy objectives (See Table 2.1). While 6 of these strategies mention public procurement, only 2 of them mention the role of MEAT criteria in advancing the implementation of these objectives. However, these 2 strategies were published in 2019 and 2021 showing that MEAT criteria has become recognised as a strategic tool to achieve strategic objectives. The PPO could therefore highlight in the strategy the benefits of implementing MEAT criteria to push forward the implementation of policy objectives. The strategy should also refer to others mentioning MEAT criteria to ensure alignment and policy coherence

### **6.1.2. Developing the strategy using an inclusive approach**

International experience shows that the development of a strategy using an inclusive approach often has a positive impact on its effective implementation. This is particularly relevant in the public procurement field as it includes a multitude of stakeholders. For instance, the federal government of Mexico established a Plural Working Group to implement the reform of Compranet, its e-procurement system (See Box 6.3).

### Box 6.3. Plural Working Group established by the Federal Government of Mexico for the e-procurement reform

In 2018, the Ministry of Public Administration (Secretaría de la Función Pública, SFP) of Mexico's Federal Government convened a multi-stakeholder group for the reform of Mexico's e-Procurement system, CompraNet.

This multi-stakeholder group included various stakeholders such as representatives of the public sector, business, and civil society, and worked towards the development of a shared vision statement regarding e-procurement systems in Mexico. The vision statement also aims at serving as a guide for the future development of e-procurement tools in Mexico, including e-procurement systems at subnational level. This collaborative practice was in line with the principle of participation included in the Recommendation of the OECD Council on Public Procurement.

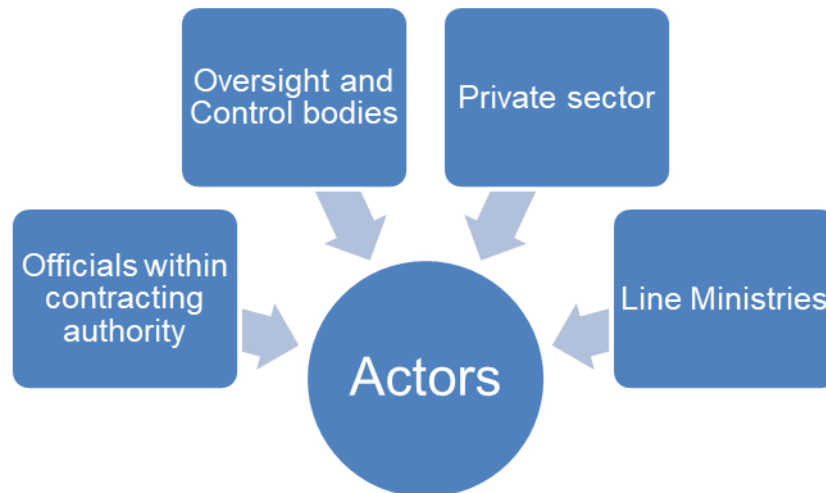
The Plural Working Group consisted of the six subgroups: information disclosure, interaction with suppliers, competition and capacity building, efficiency and effectiveness in CompraNet, prosecution of complaints, and integrity and trust in the tool. Each subgroup was represented by a wide range of stakeholders mentioned above, and worked on specific key issues and themes.

The establishment of the Plural Working Group was an indispensable element to set up the collaborative and shared vision statement for Mexico's e-procurement system that reflects the goals and ambitions of all stakeholders involved in the public procurement process.

Source: (OECD, 2018<sup>[39]</sup>)

The PPO is the entity in charge of the public procurement system in the Slovak Republic. It is therefore the entity in charge of developing methodological guidance and strategies on public procurement. However, other entities have a clear role to play in the development or implementation of the strategy (see Figure 6.3) such as procurement officials within public entities, control bodies, the private sector and line ministries in charge of specific policies. While stakeholder engagement might be seen as a heavy process, it is crucial to ensure the successful implementation of the strategy. In the past, working groups comprised of different stakeholders have been established to enhance specific aspects of the public procurement system. For instance, MIRRI (the former Office of the Deputy Prime Minister of the Slovak Republic for Investments and Informatisation) established a Working Group on Public Procurement and ICT Contracting to identify common challenges and develop methodological support for the procurement of ICT. Different stakeholders were part of this working group, including representatives of MIRRI, PPO, business organisations and associations (such as Information Technology Association of Slovakia -ITAS, Slovensko.Digital and Slovak Society for Informatics, Partnership for Prosperity), the Anti-monopoly Office and representatives of selected central state bodies. In 2019, the working group developed a methodological document about ICT procurement, "the concept of purchasing ICT in public administration", addressing the most challenging issues in ICT procurement in the Slovak Republic. Topics covered in the document include the promotion of the greater use of MEAT criteria (OECD, forthcoming<sup>[40]</sup>).

**Figure 6.3. Actors to be involved in the development of a strategy on MEAT criteria**



Involving procurement officials can help better identify their challenges and their needs to enhance the strategic uptake of MEAT criteria in their procurement operations. In the framework of this report, discussions with some contracting authorities took place and a survey was completed by 14 contracting authorities to gain the full picture of the state of play and the challenges they face when using MEAT criteria. Furthermore, public entities from relevant sectors such as the transport and health sector could be involved to share their specific challenges and opportunities.

As one of the challenges identified by contracting authorities in using MEAT criteria is related to market readiness, the development of the strategy must involve the private sector. In the framework of this project, a survey was sent to economic operators to understand their challenges and views when responding to procurement opportunities using MEAT criteria. The involvement of line ministries is also beneficial for policy coherence as they are in charge of developing thematic strategies that mention public procurement (see Section 2.2).

Furthermore, PPO is the main body in charge of controlling public procurement operations, including the award criteria used. However, other entities in charge of controlling public procurement authorities can provide valuable input to the strategy.

## **6.2. To support changes in procurement practice, the strategy needs to define how it will be operationalised**

### **6.2.1. Mainstreaming the use of MEAT criteria requires a skilled workforce**

The OECD recommendation on public procurement devotes a central role to capacity by calling adherents to develop a procurement workforce with the capacity to continually deliver value for money efficiently and effectively (OECD, 2015<sup>[1]</sup>) (see Box 6.4).

### Box 6.4. Principle on Capacity of the OECD Recommendation on Public Procurement

Adherents should:

- i) Ensure that procurement officials meet high professional standards for knowledge, practical implementation and integrity by providing a dedicated and regularly updated set of tools**, for example, sufficient staff in terms of numbers and skills, recognition of public procurement as a specific profession, certification and regular trainings, integrity standards for public procurement officials and the existence of a unit or team analysing public procurement information and monitoring the performance of the public procurement system.
- ii) Provide attractive, competitive and merit-based career options for procurement officials**, through the provision of clear means of advancement, protection from political interference in the procurement process and the promotion of national and international good practices in career development to enhance the performance of the procurement workforce.
- iii) Promote collaborative approaches with knowledge centres such as universities, think tanks or policy centres to improve skills and competences of the procurement workforce**. The expertise and pedagogical experience of knowledge centres should be enlisted as a valuable means of expanding procurement knowledge and upholding a two-way channel between theory and practice, capable of boosting application of innovation to public procurement systems

Source: (OECD, 2015<sup>[1]</sup>)

Therefore, to enhance the capacity of the procurement workforce, it is indispensable to identify the key stakeholders for the implementation of the strategy and to develop tailored capacity building activities and tools to overcome the challenges they are facing.

#### *Identifying champions for the implementation of the strategy*

The strategy on the use of MEAT criteria should foresee concrete actions for specific categories of stakeholders. On the one hand, stakeholders using MEAT criteria, namely officials involved in procurement operations and the private sector. On the other hand, control bodies in charge of overseeing procurement activities.

#### **Targeting officials involved in procurement operations**

Effective implementation of procurement reforms and specific procedures practices, including the use of MEAT criteria requires having in place a public procurement workforce with the adequate capacity to deliver (OECD, 2016<sup>[41]</sup>). Therefore, it is key to clearly identify procurement officials within contracting authorities that are directly involved in procurement operations.

In general, there are two categories of officials to consider depending on the organisation of each contracting authority:

- **Officials within public procurement departments:** The public procurement department is usually in charge of different aspects of the procurement procedure. Officials within this department might be involved in defining the qualification and award criteria.
- **Officials from requiring areas:** In some contracting authorities, requiring areas (those who expressed a specific need) might be involved in the development of the tender documentation, including technical specifications, qualification criteria and award criteria. It is therefore pivotal to consider them in the framework of a strategy to enhance the use of MEAT criteria.



Data provided by PPO shows that 15 largest entities in terms of procurement spending represent more than half of the total procurement volume. Furthermore, in the Slovak Republic different entities are acting as central purchasing bodies (CPBs) such as the Ministry of Interior, the Ministry of Finance, and the Ministry of Investment, regional development and informatisation. The setting up of CPBs has several benefits including the achievement of a greater value for money which is also related to the choice of the adequate award criteria (OECD, 2019<sup>[42]</sup>). Therefore, to enhance the uptake of MEAT criteria, capacity building activities could target primarily the top 15 largest entities and CPBs. Based on the analysis of procurement spend and the distribution of the use of MEAT criteria, the strategy could indicate the provision of dedicated workshops or training where the biggest public buyers could be prioritised.

### **Not overlooking the private sector to ensure it positively responds to public tenders using MEAT criteria**

Governments are major consumers of goods, services and public works provided mainly by the private sector. As mentioned in Section 2.1, the participation of potential bidders in procurement opportunities depends on different factors including the technical specifications and the selected award criteria and their weights. Data shows that using MEAT criteria does not prevent SMEs from accessing the public procurement market (see Figure 3.11). Furthermore, answers to a survey sent to the private sector shows that the use of MEAT criteria does not represent a challenge for them to access public procurement opportunities and that they would like to participate in more opportunities which make use of MEAT criteria.

However, given the limited use of MEAT criteria, it could be beneficial to enhance the capacity of potential bidders on how to respond to tenders using MEAT criteria. For instance, in Norway, guidance and capacity building for suppliers are available from *anskaffelser.no* an information portal focusing on general guidance on how to participate in public contracts. The public procurement agency also hosted several courses for suppliers when guidance became available. Stakeholders such as the confederation of Norwegian Enterprise (NHO) also offer guidance on public procurement to services available to members (MAPS, 2018<sup>[43]</sup>).

Therefore, concrete actions need to target the private sector and potential bidders. The PPO, contracting authorities, or private sector organisations, could implement these actions. The PPO could for example work jointly with business associations to design awareness raising campaigns and capacity building exercises that would target the private sector.

### **Making sure control bodies support the use of MEAT criteria rather than hindering its uptake**

Effective control and oversight mechanisms are essential in supporting accountability and promoting integrity and efficiency in the public procurement process. In this framework, the 2015 “OECD Recommendation of the Council on Public Procurement” calls upon countries to “establish clear lines of oversight for the public procurement cycle to ensure that the chains of responsibility are clear, that oversight mechanisms are in place and that the delegated levels of authority for approval of spending and approval of key procurement milestones is well defined” (OECD, 2015<sup>[1]</sup>).

Depending on the country's framework, different types of controls can be performed on procurement activities. Those controls can be *Ex-ante* and/ or *Ex-post*. Ex-ante controls are those operated by a supervisory body to approve a decision before implementation, while ex-post controls are those operated after implementing decisions (OECD, 2020<sup>[44]</sup>).

The trend throughout OECD countries in terms of audits has been to move from ex-ante to ex-post controls, usually taking into account criteria like the relevance of the procurement volume and risk assessment frameworks. Indeed, ex-ante controls have the advantage of being able to prevent any damage before it

occurs but they may also create an excessive amount of work and overlap with other responsibilities. (OECD, 2020<sup>[44]</sup>).

In the Slovak Republic, both ex-ante and ex-post controls are performed and different entities are involved in control activities. Entities performing the different types of controls are listed in the table below. While the PPO is the entity in charge of the procurement system and had extensive knowledge on the use of MEAT criteria, it is essential that other entities involved in the control of procurement operations, both ex-ante and ex-post, have the adequate capacity on the use of MEAT criteria. Furthermore, within the PPO, different teams are in charge of developing the methodological guidance and performing controls.

To improve the capacity of control bodies, PPO has undertaken some actions including the publication of different guidelines that mention the use of MEAT criteria. (Public Procurement Office of the Slovak Republic, n.d.<sup>[23]</sup>) One of the latest guidelines was prepared in co-operation with NKU and it covers the evaluation of the efficiency of public procurements from the view of both control bodies. This methodology encourages public entities to use the MEAT criteria as the choice of award criteria has an impact on the achievement of the best value for money.

Furthermore, only 11% of surveyed public entities mentioned that they had experienced challenges with control bodies related to the use of MEAT. It could be beneficial to raise the awareness and further strengthen the capacity of control bodies on the use of MEAT criteria.

**Table 6.1. Entities performing Ex-ante and Ex-post control of procurement activities**

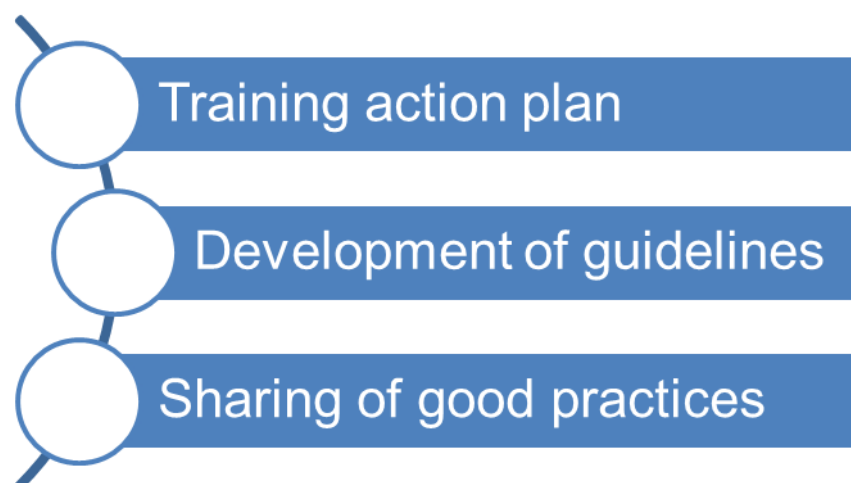
Ex-ante	Ex-post
PPO	PPO
Managing Authorities and intermediate body (when using EU funds)	NKU - Najvyšší kontrolný úrad (Supreme Audit Institution)
	Antimonopoly Office

Source: adapted from (OECD, 2017<sup>[22]</sup>)

### *Implementing targeted capacity building activities*

To enhance the capacity of different stakeholders on the use of MEAT criteria, different capacity building activities and tools could be developed by the PPO in partnership with other partners. This section focuses on the development and implementation of a training action plan, guidelines and sharing good practices (see Figure 6.4)

Figure 6.4. Capacity building activities and tools



#### Developing and implementing a dedicated training action plan

The provision of regular trainings to officials involved in procurement operations is pivotal to enhance their capacity, including on MEAT criteria (OECD, 2015<sup>[11]</sup>). The collaboration between the PPO and the OECD in the framework of the development of a training action plan for 2016-2019 already identified MEAT criteria as one of the four key topics to enhance the capacity for the procurement workforce. Furthermore, connected topics were also identified in the framework of this action plan: secondary policy objectives and technical specifications. The training portfolio on MEAT criteria is described in the table below. It identifies both procurement officials within contracting authorities (with 3 levels) and control bodies. Therefore, the PPO should consider pursuing efforts in the implementation of the training action plan.

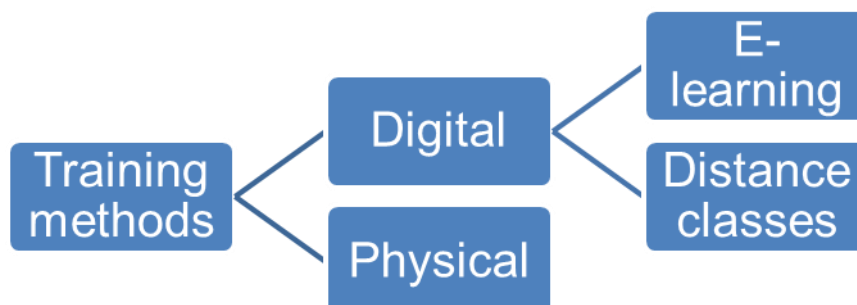
Table 6.2. Training portfolio on MEAT criteria for the training action plan for 2016-2019

Level	Role: Conducting procurement procedures	Role: Controlling/reviewing procurement procedures
Beginners	<ul style="list-style-type: none"> <li>101 of MEAT Criteria (i.e., definitions, advantages, challenges, applicability)</li> <li>Differences between criteria for award, selection and exclusion</li> </ul>	<ul style="list-style-type: none"> <li>Introducing MEAT Criteria, ensuring correct application of MEAT Criteria</li> </ul>
Intermediate	<ul style="list-style-type: none"> <li>How to make assessments more objective MEAT criteria</li> <li>Financial assessments beyond evaluations based on price</li> <li>Ensuring transparency and objectivity in evaluating tenders using MEAT criteria</li> </ul>	<ul style="list-style-type: none"> <li>Differences between criteria for award, selection and exclusion</li> <li>Control for transparency and objectivity in evaluating tenders using</li> </ul>
Advanced	<ul style="list-style-type: none"> <li>Weightings and evaluation formulas</li> <li>Using MEAT criteria for specific procurement instruments</li> </ul>	

Source: (OECD, 2017<sup>[22]</sup>)

Training could be provided using different methods (see Figure 6.5). The COVID-19 situation highlighted the strategic role of digital tools to continuously provide training opportunities efficiently and in a timely manner. In addition to onsite training, the PPO could consider the provision of training using a digital format. Indeed, the digitalisation of training opportunities enables a response to different challenges including i) cost of trainings and travel expenses, and ii) the geographical distance given the size of the country and the location of the capital city Bratislava. Digital training opportunities could take the form of e-learning modules and distance classes. While data shows that the lowest use of MEAT criteria is being experienced in the Bratislava region, other, more distant, regions could also benefit from capacity building activities and on-line delivery could be an effective solution to deliver on these activities.

**Figure 6.5. Suggested training methods**



In distance classes, sessions are delivered as usual, but via a video conference link, participants simply require a stable broadband internet connection. They can interact with the teacher and other participants via the video connection tool. E-learning modules could be developed to reach a broader audience while keeping track of progress achieved by participants. As opposed to distance learning courses, those options necessitate revisiting and restructuring training materials so that they best exploit the possibilities offered by IT tools and systems (voice over, gamification, etc.). (OECD, 2017<sup>[22]</sup>)

In addition to digital trainings, PPO could also provide onsite trainings relying on its regional offices. Indeed, in 2019, the PPO established the Department for Regional Offices. The main aim of these regional offices is to provide support to local public entities on the application of the public procurement framework. (OECD, forthcoming<sup>[40]</sup>)

Independently from the training method, the strategy should define the content of the training portfolio, the targeted audience and the implementation timeline. As mentioned earlier, these capacity building activities could target primarily the top 15 largest entities and CPBs.

### **Developing dedicated guidelines on MEAT criteria**

Choosing the adequate award criteria and their respective weight will depend on different factors including: i) the subject matter of the contract and the needs of the contracting authority, ii) its strategic objectives, iii) the technical specifications and ii) the market responsiveness to those criteria. As capacity is one of the main challenges affecting the use of MEAT criteria, the procurement workforce could benefit from accessible and comprehensive guidelines on this topic. Those guidelines could at the very least cover topics described in Box 6.5 and should include concrete good practice examples and “dos and don’ts”. For instance, many elements have been addressed in the Guidelines on MEAT criteria developed by the public procurement office of Lithuania. Furthermore, to set the appropriate weight to award criteria, those guidelines include a tool for public entities to test different weights and formulas and assess the potential procurement outcome (Public Procurement Office of Lithuania, 2021<sup>[45]</sup>).

### Box 6.5. Suggested topics to cover in the guidelines on MEAT criteria

- The benefits of using MEAT criteria
- When to use MEAT criteria vs lowest price methodology
- Link between award criteria and technical specifications
- Link between MEAT criteria and complementary policy objectives
- List of possible award criteria to use with their explanation and area of application
- How to choose the adequate award criteria and their weights in the MEAT methodology
- The role of market analysis and engagement to set the award criteria and their weights
- Transparency requirements on award criteria

In addition, as the choice of award criteria also depends on the subject matter of the contract and the procurement category, the PPO could consider developing guidance for specific procurement categories that could be integrated in general guidelines or specific ones. The choice of the procurement categories could be made based on the largest ones in terms of spending, using CPV codes and/ or on their degree of complexity and relevance. For instance, the ICT procurement category could be one of the categories where the development of specific guidelines might be relevant because of the procurement volume, the level of complexity of procurement operations and the potential in terms of innovation. Indeed, the OECD work in the Slovak Republic on promoting agile approaches in ICT public procurement shows that in 2019, ICT sector's contribution to Slovakia's GDP was 4,2% and within the period 18.4.2016 – 31.10.2019 and around EUR 1063 million has been spent in this sector, out of it, EUR 720 million for IT services.. However, data analysed within this period shows that procurement opportunities using MEAT criteria in this sector is relatively low (4%), much lower than the national average (OECD, forthcoming<sup>[40]</sup>). The COVID crisis accelerated the digitalisation of public services, which increased the pressure on investment in ICT goods and services. Hence, for upcoming years (2021-2023) EUR 938,5 million from the state budget is planned to be spent for IT services (mostly for operation and maintenance) and around EUR 530 million from the EU funds (for investments within programming period 2014-2020) (Ministry of Finance of the Slovak Republic, 2020<sup>[46]</sup>).

Several countries developed guidelines on specific procurement categories. For instance, France developed specific guidelines for 8 procurement categories: i) Office equipment, education and training, ii) sustainable equipment and design in the building industry , iii) Garment , iv) ICT, v)-Structures, Works and Project management, vi) communication services , vii) Health products, viii) Collective catering and nutrition. Award criteria is one of the topics covered in those guidelines (Ministère de l'économie des finances et de la relance- France, n.d.<sup>[47]</sup>).

Furthermore, to ensure policy coherence, other guidelines could develop or align their content with those on the use of MEAT criteria such as the guidelines developed by PPO on strategic procurement.

### **Sharing good practices could showcase the benefits of using MEAT criteria in public tenders**

In addition to the guidelines, one effective way to enhance the uptake of the use of MEAT criteria is the sharing of good practices. Sharing of goods practices has several benefits described in the Box below.

### Box 6.6. Benefits of identifying and sharing good practices

The benefits from identifying and sharing good practice are that doing so will

- • Identify and replace poor practices
- • Raise the performance of poor performers closer to that of the best
- • Decrease the learning curve of new employees
- • Reduce rework and prevent “reinvention of the wheel”
- • Cut costs through better productivity and efficiency
- • Improve services
- • Minimise organisational knowledge loss (both tacit and explicit)

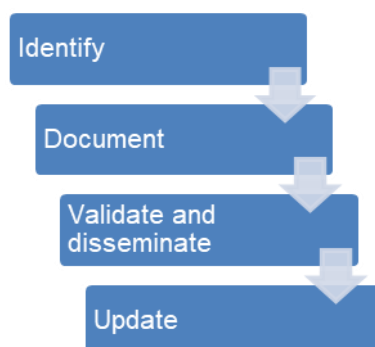
Source: adapted from (Serrat, 2008<sup>[48]</sup>)

Since knowledge is both explicit and tacit, good practice programs should comprise two elements: good practices databases that connect people with information, and collaboration or knowledge sharing and learning mechanisms, such as communities of practice that connect people with people (Serrat, 2008<sup>[48]</sup>).

The development of good practice databases requires a methodological process summarised in Figure 6.6. In the context of the use of MEAT criteria, the first step is to identify relevant good practices. Given its role in ex-ante and ex-post control of procurement opportunities, the PPO could find relevant good practices to share. Furthermore, data shows that some entities are performing well above the national average in terms of the use of MEAT criteria. Indeed around 576 entities, representing 17 % of public entities have used MEAT criteria in all their tenders , 22% of entities used MEAT criteria in more than 50% of their procurement volume (19% in terms of the number of procedures). The PPO could consider good practices from different categories of entities and different levels of government taking into account a geographical balance. Furthermore, given the need to develop targeted actions for specific procurement categories and for specific sectors, the PPO could also consider sharing good practices from public procurement belonging to different sectors. For instance, in the transport sector, the Railway Company and the Transport Company Žilina City could be good candidates to share good practices given their comparative good performance is using MEAT criteria (see Figure 4.4).

The documentation of good practices could include i) a description of the tender, including the sector concerned and the subject, ii) the context of the entity and the procurement operation, iii) award criteria and their weights, iv) lessons learned and, v) links to available resources. A practice is only good if there is a demonstrable link between the practice and the end result. Therefore, the different good practices need to be validated before being disseminated. As the good practice database will require to be updated in the future, the PPO could encourage contracting authorities to share on a regular basis good practices on the use of MEAT criteria.

**Figure 6.6. Methodological process for sharing good practices**



Source: adapted from (Serrat, 2008<sup>[48]</sup>)

### **6.2.2. Ensuring a good understanding the capacity of the market to respond to procurement opportunities using MEAT criteria**

One of the challenges identified by contracting authorities is related to the readiness of the market to respond to procurement opportunities using MEAT criteria. In this framework, it is recommended that activities are undertaken to understand the market capacity to respond to procurement opportunities using MEAT criteria. Those activities include enhancing market analysis and engaging with the market.

#### *Providing a market analysis template*

The requirements of contracting authorities including the award criteria chosen will influence the relevant market to consider. Therefore, to ensure a level playing field in procurement operations, market analysis should be performed adequately. In the same vein, Box 6.7 includes market analysis as a suggested topic to cover in the guidelines on MEAT criteria.

To support this activity, and to make an informed decision on tender requirements, it is recommended that a market analysis template should be developed. Indeed, in the Slovak Republic, there are no market analysis templates developed by the PPO that can be used by contracting authorities. Usually, information included in the market analyses are related to the market players and to the solutions available in the market (See Box 6.7). This analysis provides valuable information to set the appropriate award criteria and their weights (OECD, forthcoming<sup>[49]</sup>).

### Box 6.7. Example of information to include in market analysis template

#### Information on market players

- Structure of the supply chain and typology of the market operators (producers / resellers / system integrators / global service providers, etc.)
- Market shares and dominant positions (monopoly / oligopoly / competitive market)
- Firms (SMEs / large companies; local / national / multinational companies): turnover, business strategy, contract conditions, patents, etc.
- Size of the contract relative to the whole market size

#### Information on solutions available in the market

- The availability of any alternative products / solutions on the market, which are able to meet the buyer's needs
- The features, characteristics and market prices of the adequate solutions in the market
- The market trend (Increasing / decreasing prices, technological evolution, etc.)
- The factors influencing market prices (i.e. Exchange rate, raw materials price, seasonality, etc.)
- The capacity of the solutions to respond to policy objectives (environmental and social policies, innovation, etc.)

Source: adapted from (OECD, 2020<sup>[50]</sup>)

### *Raising awareness on market engagement activities*

A good understanding of markets is essential if contracting authorities are to develop more realistic and effective tender documentation and provide vendors with a better understanding of public sector needs.. To make public procurement effective it is critical to involve the market throughout the life-cycle of procurement processes (pre-tendering, tender stage and post-award stage). From publishing future opportunities to organising dedicated fairs, there are various ways to involve the market to ensure that the asymmetry of information between the public and the private sector is reduced as much as possible. Indeed, suppliers often have more information than the procuring entity regarding their own costs, prices, market trends, products or services, and their substitutes. (OECD, n.d.<sup>[51]</sup>). When designing MEAT criteria, the market can provide valuable information to define them and their weights properly. The 2015 public procurement guidance for practitioners of the European Commission mentions that it is critical that the award criteria are thoroughly tested at procurement planning stage (European Commission, 2015<sup>[52]</sup>). Box 6.8 lists different tools and methods to engage with the market and test the evaluation method.



### Box 6.8. How to engage the market and collect information on the market?

Different methodologies can be used to engage the market

#### Direct engagement mechanisms

- Publish procurement plan
- Organise public events to meet with suppliers
- Meeting with some key suppliers (taking into account integrity risks)
- Request for quotation (RfQ) / Questionnaires

#### Getting information from third parties

- Commission a consultant (public and transparent selection)
- Market analysis or sector study reports published by specialised companies or trade unions
- Consult other contracting authorities with experience in the specific procurement

Source: (OECD, 2020<sup>[50]</sup>)

As described in Table 6.3, these activities are not widespread in the Slovak Republic. For instance, only 7% of surveyed public entities organised networking events for suppliers including preliminary market consultations and only 29% of them organised meetings with key suppliers in the preparation stage and to debrief on the tender results. The most frequently used activities to engage the market into procurement processes are: request for quotation as this is a legal requirements, publication of procurement plan. The PPO could benefit from building the capacity and raising the awareness in the procurement workforce on market engagement methods and tools. For instance, the PPO could develop a checklist for public entities on how to conduct selected market engagement activities.

**Table 6.3. Use of market engagement tools by public entities in the Slovak Republic**

Planning and Preparation (pre-tender stage)	
Publish procurement plan	43%
(Organise public events to meet with suppliers	7%
Organise networking events for suppliers of all types (businesses, academia, research institutes, etc...) to meet	7%
Meeting with some key suppliers	29%
Request for quotation (RfQ)	100%
Questionnaires	14%
Evaluation and Awarding (tender stage)	
Organise Q&A sessions	7%
Debrief (feedback) on the tender result	29%
Contract Management (post-tender stage)	
Organise regular meetings	21%

Source: data collected from answers to the survey of public entities

### 6.2.3. Monitoring the use of MEAT criteria

The OECD calls countries to drive performance improvements through evaluation of the effectiveness of the public procurement system from individual procurements to the system as a whole (OECD, 2015<sup>[1]</sup>).

This is particularly relevant to assess the implementation of a specific strategy and the achievement of potential targets. This requires public procurement systems to be able to collect consistent, up-to-date and reliable information and data (OECD, 2015<sup>[1]</sup>).

The PPO has a wealth of information on the use of MEAT criteria such as:

- The tenders that use MEAT criteria
- The use of MEAT criteria by type of public entity
- The use of MEAT criteria by region
- The use of MEAT criteria above and below threshold
- The use of MEAT criteria and the category of the awarded suppliers
- The use of MEAT criteria by type of funding
- The use of MEAT criteria by procurement category ( goods, services and public works)
- The number of bids when using MEAT criteria
- Etc.

Data on the use of MEAT criteria should be monitored regularly using different parameters. This monitoring will encourage targeted actions in case of low performance. For instance, in Lithuania, the public procurement office created a dashboard accessible online in 2021 aimed at providing data on strategic public procurement from different public entities. In addition to data on green public procurement, this dashboard includes data on the use of MEAT criteria in terms of number of procedure and procurement volume. While the data provided is based on data collected from the previous years, in 2022, the PPO is planning to provide real time data. (The Public Procurement Office of Lithuania, 2021<sup>[53]</sup>).

Similarly, to other countries, the PPO cannot automatically extract information on the specific criteria used for each tender, their weights and the evaluation method used. Indeed, those fields are usually in the tender documentation. There are 11 public procurement platforms in the Slovak Republic. As the use of e-procurement platforms is mandatory, public procurement platforms could provide a report to public entities on the use of MEAT criteria on a regular basis.

Furthermore, entities are paying increasing attention to their reputation. Indeed, the capacity of an entity to use appropriately public funds has a direct implication on citizen's trust. In the Slovak Republic, rankings are already published by civil society organisation. For instance, the Zindex platform publishes data on the score obtained by different public entities on various public procurement aspects (Zindex, 2020<sup>[54]</sup>). To incentivise entities to increase use of MEAT criteria, the PPO could consider regularly publishing the list of entities where the share of procurement procedures in numbers or in volume are the highest in the country or/ and the ones that are lower than a certain threshold.

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# Strengthening value for money in the public procurement system of the Slovak Republic

For more than a decade, OECD countries are realising the potential of public procurement as a means of furthering broader policy goals. Yet, in order to attain these ambitions, procurement practices need to be streamlined and move away from a purely economic lens. In line with the EU public procurement Directives, the Public procurement Act of the Slovak Republic encourages the broader use of criteria to include qualitative, environmental or social dimensions. However, data provided by the Public Procurement Office (PPO) shows that, between 2016 and 2020, the use of MEAT criteria in public procurement procedures was relatively limited, representing 15.6% of public procurement procedures and 13.8% of the total procurement volume. In this context, the PPO aspires to develop and implement a strategy that would effectively mainstream the use of MEAT criteria. This report highlights key findings on the use of MEAT criteria in the Slovak Republic with a focus on the health and transport sectors and provides the PPO with key insights for the ongoing development of such a strategy.