



GOVERNMENT OF THE REPUBLIC OF CROATIA
PUBLIC PROCUREMENT OFFICE
ZAGREB, Ksaver 211

PUBLIC PROCUREMENT OFFICE ANNUAL REPORT 2005

December, 2006

Introduction

The Public Procurement Office of the Government of the Republic of Croatia (hereinafter: Public Procurement Office) is a professional service of the Government of the Republic of Croatia authorized to implement, supervise and enforce the Public Procurement Act and other subordinate legislation in the field of public procurement.

Prior to the foundation of the Public Procurement Office, based on the Regulation establishing the Public Procurement Office adopted in 2003 (Official Gazette 179/03), activities from the scope of the Public Procurement Act (Official Gazette 117/01) had been performed by the Department for Public Procurement within the Ministry of Finance. As it was necessary to provide human and technical resources to meet the new needs and requirements the Public Procurement Office moved from the building of the Ministry of Finance to the new facilities on 1 September 2005. At the meeting held on 4 August 2005 the Government of the Republic of Croatia adopted the Regulation on amendments to the Regulation establishing the Public Procurement Office of the Government of the Republic of Croatia (Official Gazette 98/05 hereinafter: Regulation) upon which, for the purpose of performing the activities within the scope of work of the Office, the following internal organizational units were formed: the Department for Supervision of Public Procurement Procedures, the Department for the Development and Improvement of the Public Procurement System and the International Relations Department.

According to the said Regulation, the Department for Supervision of Public Procurement Procedures supervises the enforcement of laws and subordinate legislation in the field of public procurement. It systematically monitors the regularity of regulations enforcement, provides expert assistance for the purpose of uniform action in the enforcement of supervision and gives instructions and opinions to parties obliged to adhere to the Public Procurement Act. The department also submits motions for the initiation of misdemeanor procedures to the misdemeanor court, as well as motions for the initiation of criminal procedures to the Public Prosecution Service of the Republic of Croatia.

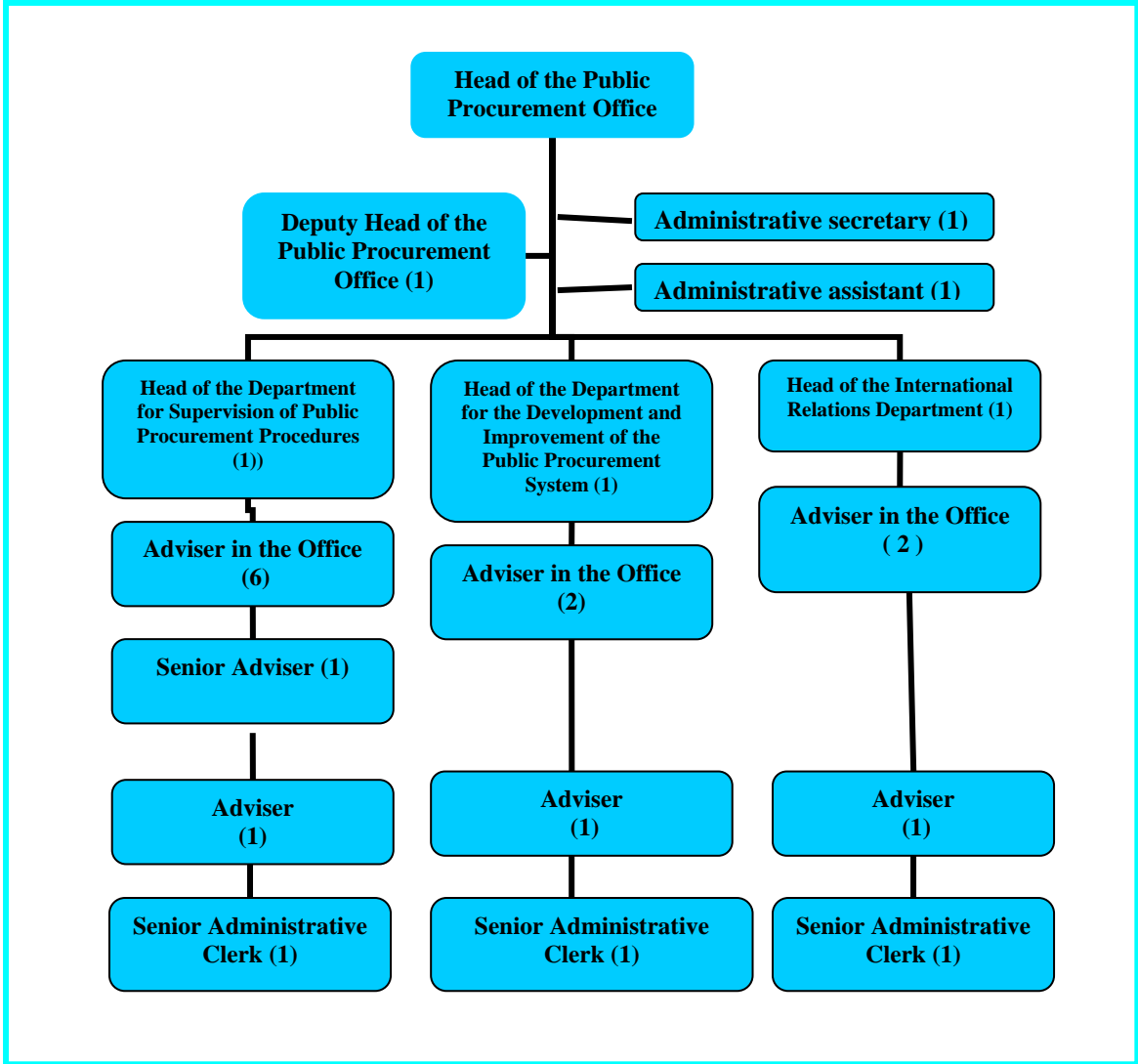
The Department for the Development and Improvement of the Public Procurement System collects, processes and analyses public procurement data, develops and maintains the website of the Office, maintains the data-base of the Office, prepares and implements the education programs for the benefit of the parties concerned and promotes the system of public procurement by holding seminars and giving professional advice.

The International Relations Department participates in the work of international institutions in the field of public procurement, performs the activities of international cooperation directly or in cooperation with the relevant bodies of the Republic of Croatia. It organizes, prepares, implements and coordinates international projects in the field of public procurement, coordinates and monitors the alignment of the Croatian legislation in the field of public procurement with the *acquis communautaire* of the European Union, and draws up the required reports, maintains contact with international institutions and organizations accredited in the Republic of Croatia.

In order to carry out the above-mentioned activities in 2005, the process of admission of new employees had been initiated, and the development of the IT-system had been undertaken. Due to the fact that in the past the Office had used the infrastructure of the Ministry of

Finance, the new information and telecommunication systems were required. The development of the new information and telecommunication network was carried out over a short period of time in order to ensure the smooth operation of the Office.

Public Procurement Office – Organization Chart



In order to meet the needs of the future restructuring of the Public Procurement Office and its planned transformation into the Central State Office for Public Procurement, 6 new employees were admitted during 2006. Thus, the number of employees now totals 19. The employee structure is as follows:

- 8 economists
- 8 lawyers
- 1 engineer
- 2 administrative officers.

In accordance with the Stabilization and Association Agreement, a procedure started in 2004 regarding the alignment of the legislation of the Republic of Croatia with the legislation of the European Union was continued during 2005. The Draft Proposal of the Act on Amendments

to the Public Procurement Act was proposed, including almost all the changes brought about by the newest directives of the European Union in 2004. The Act on Amendments to the Public Procurement Act which came into force on 1 October, 2005 was published in the Official Gazette 92/05. Its revised provisions comprised certain changes to the terminology. Also provisions that gave rights to the Government of the Republic of Croatia to determine special interest in procurement were removed; obligation by the PPO for Direct Negotiations to give prior approval was abolished and the number of procuring entities obliged to apply the new directives of the European Union in the field of public procurement was decreased. In order to increase transparency of direct negotiation and replace the prior approval previously given by the PPO, an obligation to announce direct negotiation in the Public Procurement Bulletin was introduced. This change enabled every interested party in the procurement process to dispute the procedure of direct negotiation if it felt that his/her rights were or might have been violated by it.

The Act on Amendments to the Public Procurement Act necessitated the adoption of the Regulation on the amendments to the regulation on announcements and records of public procurement.

I. The scope of work of the Department for Supervision of Public Procurement Procedures

The Department for Supervision of Public Procurement Procedures was formed as an internal organizational unit of the Public Procurement Office, upon the Regulation establishing the Public Procurement Office of the Government of the Republic of Croatia. (Official Gazette 179/03 and 98/05)

According to the Staff Regulation of the Public Procurement Office adopted on 24 October, 2005, the Department for Supervision of Public Procurement Procedures was to have the following staff at its disposal: the head of department, 6 advisors in the Office, 1 senior advisor, 1 advisor and 1 senior administrative clerk.

The Department for Supervision of Public Procurement Procedures engages in the activities of supervision based on the article 69 of the Public Procurement Act (Official Gazette 117/01 and 92/05) and the Regulation establishing the Public Procurement Office (Official Gazette 179/03 and 98/05)

The Regulation establishing the Public Procurement Office was adopted in 2003 and revised and amended by the Regulation on amendments to the regulation establishing the Public Procurement Office of the Government of the Republic of Croatia, which came into effect on 10 August, 2005. Article 5a defines the scope of work of the Department for Supervision of Public Procurement Procedures as follows:

- supervising the enforcement of laws and other subordinate legislation in the field of public procurement,
- systematically monitoring the regularity of the regulations enforcement,
- maintaining the prescribed registers,
- drafting proposals of administrative acts,

- providing expert assistance for the purpose of uniform action in the enforcement of supervision and in that regard giving instructions and opinions to parties obliged to adhere to the Public Procurement Act,
- submitting motions for the initiation of misdemeanor procedures to the misdemeanor court or motions for the initiation of criminal procedures to the Public Prosecution Service of the Republic of Croatia,
- participating in the drafting of legislative proposals and the proposals of subordinate legislation in the field of public procurement,
- participating in the preparation and implementation of programs of informing the parties concerned and promoting the system of public procurement in the form of seminars and professional advice,
- engaging in other activities within the scope of work of the Office.

Besides these activities, the Public Procurement Office had also been issuing prior approvals for Direct Negotiations according to the article 13 of the Law, until the Act on Amendments to the Public Procurement Act came into effect on 1 October, 2005.

Prior Approvals

During 2005 the Public Procurement Office processed 1964 cases of Direct Negotiation according to the article 13 of the Law. The amount of prior approvals requested totaled 4.391.669.838,78 HRK.

1638 cases got prior approvals, 207 requests were refused, 97 rejected, 10 suspended and 12 dealt with in some other way. (Table 1, Figures 1 and 2.)

Requests for prior approvals in 2005				
Requests processed	Number	Structure (%)	Amount (HRK)	Structure (%)
POSITIVE	1638	83,40	3.342.997.372,83	76,12
REFUSED	207	10,54	729.368.310,38	16,61
REJECTED	97	4,94	312.263.421,42	7,11
SUSPENDED	10	0,51	7.873.953,00	0,18
OTHER	12	0,61	1.261.705,94	0,03
TOTAL	1964	100	4.391.669.838,78	100,00

Table 1

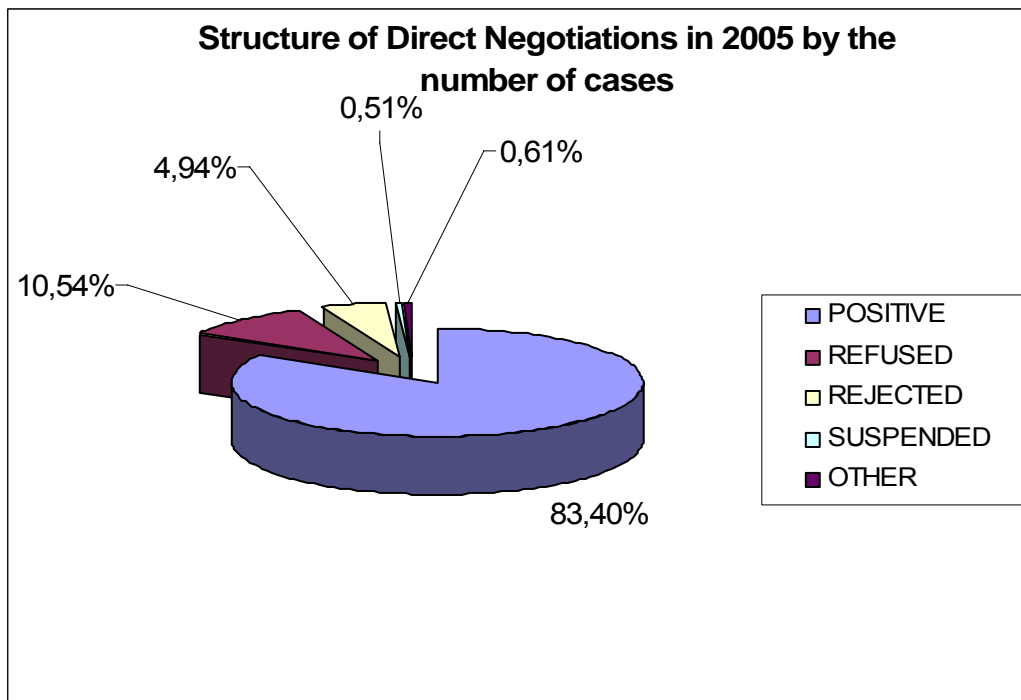


Figure 1

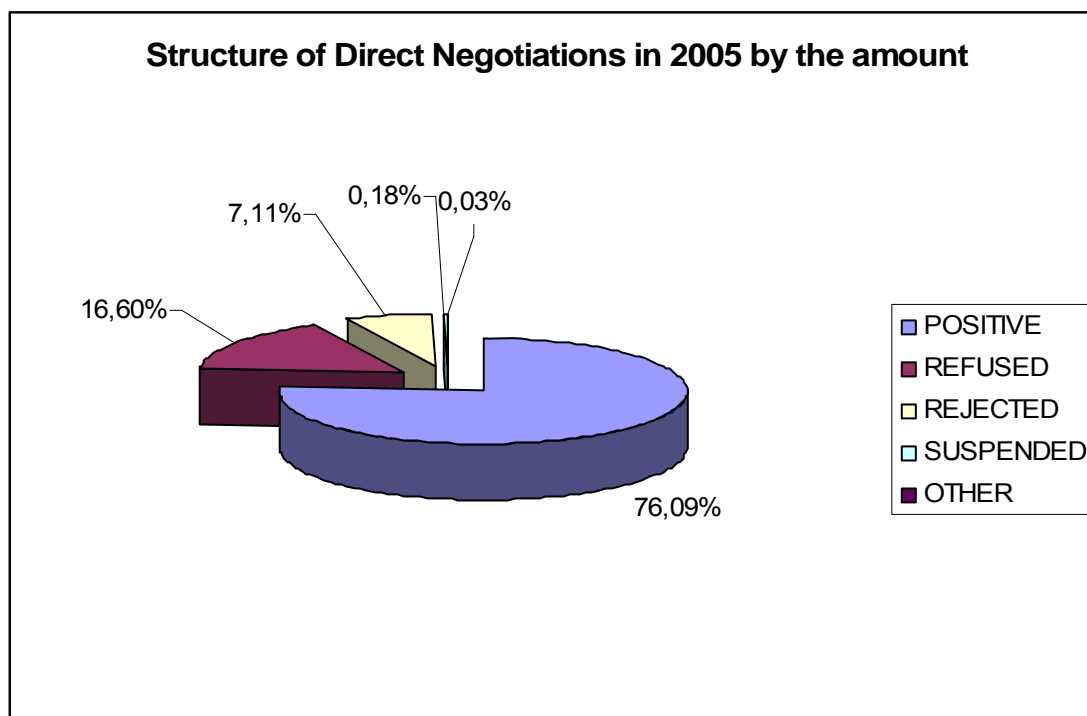


Figure 2

Consultations and Opinions issued to the procuring entities

Based on the written requests for opinions submitted to the Public Procurement Office, the Office processed 525 cases.

The Department's call center continuously gave advice to parties obliged to adhere to the Public Procurement Act. In order to give its opinion on more complicated issues as well as provide urgent assistance in resolving particular problems the Department organized meetings with procuring entities.

Supervision of public procurement

The Department processed 109 cases of supervision of public procurement, based on petitions and complaints from participants in the procurement process. According to the article 69 of the Law, The Public Procurement Office can request tender documentation to inspect and determine if there has been any contravention of the public procurement procedures. In cases of violation of procedures, qualified as offences according to the article 64 of the Law, motions for the initiation of misdemeanor procedures were submitted.

Based on its supervision and the processed requests for consultation and submission of its opinion, as well as other activities, the Office systematically monitored the regularity of the regulations enforcement in the public procurement area. The Office also carefully inspected irregularities in the procurement process with the goal of drafting a proposal of the revision of the existing regulations and taking other measures in order to provide conditions for a uniform application of the law.

The following table shows all requests admitted in the Public Procurement Office in 2005 according to their type and structure (Table 2., Figure 3)

Cases admitted	Number	Structure (%)
Request for direct negotiation	1.964	72
Requests for consultations, opinions	525	19
Supervision of public procurement - petitions and complaints	109	4
Request for selective tendering	23	1
Other	115	4
TOTAL	2.736	100

Table 2

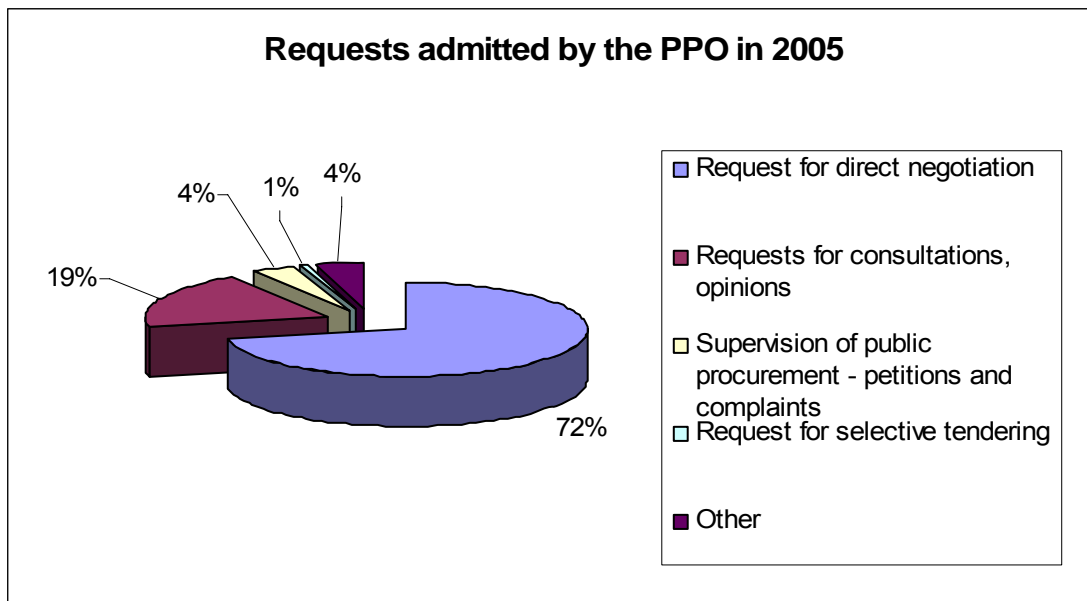


Figure 3

Other activities

In 2005 the Department actively participated in drawing up the proposals of the Amendments to the Public Procurement Act and proposals of subordinate legislation in the field of public procurement.

PPO officials also conducted seminars and workshops on the implementation of the Public Procurement Act and other regulations.

II. The scope of work of the International Relations Department

The Regulation on amendments to the Regulation establishing the Public Procurement Office of the Government of the Republic of Croatia came into force in October 2005. It served as a foundation upon which internal organizational units were formed. Their activities concerning international relations were initially performed by three officers. Another officer was admitted in October 2005 bringing the total number of officers to four by the end of 2005. Their activities were as follows:

CARDS project

From the beginning of 2005 until June 2005, the Office participated in the preparation of the technical specification for the procurement of equipment for the PPO through CARDS project. The equipment was realized in the amount of 142.890,00 EUR. The second part of the activity focused on the finalization of the working plan as well as the approval of the CARDS Twinning Project under the title: "Strengthening the Croatian Public Procurement System". The contract with the delegation of European Commission was signed in June and the Project started in July. Twinning partners were consultants from Slovenia and Germany. Project's RTA who was in Zagreb as of July availed himself of the office and equipment located within the PPO.

Based on the Project's working plan, the following activities were started – and some of them realized by the end of 2005:

- Participation in drafting of the analytical review as well as the report on legislative and institutional framework of the public procurement in the Republic of Croatia. In cooperation with CARDS consultants the Office completed the analysis of the legislative and institutional framework and gave its suggestions on how to improve legislative framework and reorganize the Office. These activities finished by the end of 2005.
- Participation in drawing up legislative proposals and the proposals of subordinate legislation in the field of public procurement. After the completion of the analysis of the current law the Draft Proposal of the Act on Amendments to the Public Procurement Act was proposed. This was the first phase of the alignment of the public procurement legislation with the *acquis communautaire* of the European Union. The second phase will include the proposal of the new Public Procurement Act.
- Participation in the preparation of the organizational development plan of the PPO, the analysis and suggestions regarding the new organizational structure of the PPO with the goal of strengthening its administrative and institutional capacity.
- Participation in elaboration of concrete proposals on establishing procurement units within the procuring entities obliged to adhere to the Public Procurement Act. In order to analyse current situation and make suggestions concerning organizational improvements, the Office created a questionnaire (4 types) and defined targeted groups in cooperation with Slovenian consultants. There were approximately 350 respondents.

CEFTA

As a part of the working group for the Stability Pact for South-Eastern Europe for revisions and amendments on membership conditions in Central European Free Trade Area (CEFTA), participation in the regular meetings in the Ministry of Economy, Labour and Entrepreneurship (Ministartstvo gospodarstva, rada i poduzetništva) with the aim of preparing the documentation for revisions and amendments of the CEFTA. Apart from the meetings held at the Ministry the PPO representatives participated in the meetings in Brussels.

TAIEX

Technical Assistance Information Exchange Office was founded in order to provide the candidate countries in Central and Eastern Europe with short-term technical assistance in the field of approximation, application and enforcement of the EU legislation. A contact person for Taiex Progress Editor is accountable to the Director of the PPO and the EU coordinator. The contact person is responsible for installing and filling the data-base with the information on the changes in the status of legal texts (adoption of new laws with the number of the relevant Official Gazette in which it was published, reports on the level of approximation etc.) and other information relevant in respect to the particular piece of EU legislation.

In 2005 the PPO regularly updated the Taiex Progress Editor concerning primary and secondary legal text in the field of public procurement, the deadlines for their drafting and adoption and their relevance in the context of the *acquis communautaire* of the EU. The data base is updated quarterly.

In 2005 TAIEX (Brussels) accepted the application of the PPO regarding the organization of the seminar about public procurement (*acquis communautaire* of the EU – new procedures of procurement) with EU specialists in the field of public procurement.

PHARE

As a part of activities stemming from the PHARE program, the Public Procurement Office drew up an analytical report for 2005 with the title "EU Assistance in Public Procurement Sector". The report addressed problems in the system of public procurement and improvement measures taken under the CARDS 2002 Twinning project "Strengthening the Croatian Public Procurement System" and "Strengthening the Capacity of the State Commission for Supervision of Public Procurement Procedure".

WTO (World Trade Organization)

Participation in international meetings at the headquarters of WTO in Geneva, regarding the admission to the GPA (General Procurement Agreement), and participation in workshops on public procurement and exchange of the best practices in Istanbul.

World Bank

The PPO maintains regular contacts with the representatives of the World Bank in Zagreb. It actively participated in the preparation of the Procurement Assessment Report done by the World Bank. The assessment was conducted with active participation of the PPO officials with mutual respect on both sides. The PPO officers participated in workshops on public procurement organized by the World Bank.

SIGMA – project (OECD)

The PPO was regularly involved with the SIGMA program financed by the European Commission with the aim of supporting candidate countries in their preparations for a successful entry into the EU. SIGMA consultants participated in drafting of the Proposal of the Act on Amendments to the Public Procurement Act. The PPO also participated in workshops on public procurement organized by SIGMA, and was actively involved in presentations on the development of the public procurement system of the Republic of Croatia. Contacts made with SIGMA consultants have enabled the PPO to rely on their professional advice.

Advisory Committee on Public Procurement in Bruxelles

The Advisory Committee on Public Procurement is a consultative body of the European Commission founded in order to analyse, develop and make suggestions in the field of public procurement. The Republic of Croatia participates in the work of this Committee 4 times a year with the observer status. The latter implies that it can participate in discussions but has no right to cast its vote.

DG Internal Market and Services

The PPO participated in the meeting of DG Internal Market and Services held in Brussels in December 2005. Materials in English and Croatian were prepared for that purpose.

PPN (Public Procurement Network)

The Republic of Croatia is a member of the informal public procurement network. The network is supported and monitored by the European Union. It promotes cross-border problem solving in cross-border cases relating to public procurement. A PPN conference is organized once a year, every time in a different member state. The PPO officers participated in the 2005 conference held in Ljubljana, Slovenia.

Chapter 5 of the Screening Process – Public Procurement

After gaining the status of a candidate country, the Republic of Croatia started a challenging process of screening. The Public Procurement Office became the main coordinator for the chapter 5 – public procurement. In two meetings, explanatory screening held on 7 November 2005 and bilateral screening held on 25 November 2005, the process of analytical examination of national legislative and institutional and administrative capacity was completed. The PPO officers participated in the preparation of the documentation, especially for the bilateral screening during which the Croatian Negotiating Team presented the level of harmonization of the Croatian legislation with the *acquis* in the field of public procurement.

Preparation of the budget of the Public Procurement Office

The PPO officers participated in drafting of the proposal of the budget of the Public Procurement Office for 2006. They organized monthly planning and monitoring of the budget execution of the Public Procurement Office.

Drafting of the National program for the integration of the Republic of Croatia into European Union in 2006

In cooperation with the Ministry of European integration the PPO officers participated in drafting of the number of documents regarding the current situation. They also gave suggestions regarding the short-term and mid-term measures in the field of public procurement as well as the institutional and administrative development of the Public Procurement Office and the State Commission for Supervision of Public Procurement Procedure.

Drafting of the documentation for the Pre-Accession Economic Program (PEP) in the period 2006-2008

In cooperation with the Ministry of Finance the PPO officers participated in drafting of the number of documents regarding the current situation and suggested the short-term and mid-term measures with fiscal effect.

Internal audit

Based on the requirements for the internal audit made by the Government of the Republic of Croatia, a description of the working process of the PPO was made. A statement was given regarding the information exchange between the PPO and the General Administration Office of the Croatian Government and Parliament.

II. The scope of work of the Department for Development and Improvement of the Public Procurement System

The Department for Development and Improvement of the Public Procurement System engages in the following activities:

- collecting, filing, processing and analyzing public procurement data
- developing and maintaining the web pages of the Office,
- maintaining the data-base of the Office,
- preparing and implementing programs of informing the parties concerned and promoting the system of public procurement through seminars and professional advice,
- participating in the drafting of legislative proposals and the proposals of subordinate legislation in the field of public procurement,
- engaging in other activities within the scope of work of the Office.

In order to meet the needs for a complete transparency and provide the public with the relevant information, the Public Procurement Office created the web-site (www.javnabava.hr) which contains the information such as: general information about the Office, Public Procurement Bulletin, information on appeals procedure, legislation framework, contact information for telephone enquiries available daily between 9am-3pm, useful links etc.

In 2005, in cooperation with several professional associations and publishers of professional publications, the Public Procurement Office published professional articles and held 35 seminars and 5 workshops regarding changes to the legislative in the area of public procurement and implementation of the new provisions that came into force after the new amendments of the Public Procurement Act had been adopted. There were approximately 3000 participants attending the seminars.

The scope of the work of the Department included preparations of the standard bidding documentation and the preparation of the practical guide for procuring entities regarding the standard bidding documentation.

The preparation of the practical Guide started with the foundation of the working group for preparation of the Manual for procuring entities, where PPO officials were actively involved. The “larger working group”, on the other hand, consisted of the representatives of all the relevant authorities and institutions of the Republic of Croatia, as well as a representative of the USAID.

Statistical report on public procurement in the Republic of Croatia in 2005

According to the article 24, paragraph 2 of the Public Procurement Act (Official Gazette 117/01 and 92/05) and article 11, paragraph 2 of the Regulation on procurement procedures of goods, work and services of the lesser value (Official Gazette 14/02), procuring entities obliged to adhere to the Public Procurement Act (Official Gazette 18/06) need to submit to the PPO an annual report on procurement contracts concluded during the preceding year.

In June 2006 the Office was involved in the creation of a data-base, or a registry of all governmental and other bodies which receive resources from the national or local budgets as well as other entities obliged to adhere to the Public Procurement Act. The data-base of the procuring entities laid a foundation for an application available on the web site of the Office www.javnabava.hr which simplified and fastened the process of providing the information on procurement contracts concluded in 2005. This facilitated the process of the distribution and exchange of data to users, thus achieving some of the main goals of the public procurement: rational allocation of taxpayers' money, equal treatment and competition among contractors, in accordance with the article 1 of the Public Procurement Act.

It is important to emphasize that a new Act on Amendments to the Public Procurement Act came into effect on 1 October, 2005, which brought about changes to the announcement of public procurement procedures. Therefore, there is a need to differentiate two periods in 2005:

- the period between 1 January, 2005 and 31 October, 2005 during which Direct Negotiations were not publicly announced, but were approved by the PPO
- the period between 31 October, 2005 and 31 December, 2005 during which Direct Negotiations were publicly announced in the Public Procurement Bulletin¹

In order to standardize data, the procuring entities were asked to submit information on the number and value of the concluded contracts according to the type of procedures (open, restricted or negotiated). Procurement according to the article 6 of the Public Procurement Act (exceptions) and procurement below 20.000,00 HRK were not covered by this measure.

Entities obliged to adhere to the Public Procurement Act had to fill in the on-line form entering the following information: the title, tax number, address, national classification number and contact information. Subsequently, for authentication reasons, they would receive user name and password which they used to sign in and provide the number and value of the concluded contracts according to the type of the procedure and the object of procurement. After signing out from the application they would receive an automatically generated confirmation of the data entry, which needed to print out, sign and send to the Public Procurement Office for the additional validation of the data.

The invitation to submit a report through the on-line form was sent to 4200 addresses and announced on the web-site of the Public Procurement Office and Official Gazette. The Public Procurement Office organized the helpdesk to deal with the telephone and e-mail enquiries. The web-site also provided instructions on how to fill in the forms. Additional information was provided on the FAQ page.

¹ Until 1 October 2005 direct negotiations were not publicly announced and they had to be approved by the PPO. According to the Act on Amendments to the Public Procurement Act which came into effect on 1 October 2005, the PPO does not issue prior approvals for direct negotiations. Procuring entities are obliged to announce their intent to conclude the contract at least 15 days prior to the conclusion of the contract and give the right to any economic operator to issue an objection.

3560 registered entities used the Internet application to send reports to the Public Procurement Office. 180 procuring entities sent their information in the form of letter using regular mail, and 51 sent it by fax.

The number and value of the concluded contracts divided by type of the procedure and the object of procurement were listed in three tables:

- Table 1. Procurement between 20.000,00 and 200.000,00 HRK – low value procurement
- Table 2. Procurement between 200.000,00 and 1.460.000,00 HRK (200.000,00 EUR) for goods and services and 200.000 and 36.500.000,00 HRK (5.000.000,00 EUR) for works
- Table 3. Procurement exceeding 1.460.000,00 HRK (200.000,00 EUR) for goods and services and 36.500.000,00 HRK (5.000.000,00 EUR) for works.

The above tables can be found on pages 24 and 25 of this Report.

Public procurement in relation to the GDP in the Republic of Croatia in 2005

The total amount of public procurement based on the submitted reports for the period between 1 January 2005 and 31 December 2005 was 26.085.502.247,00 HRK (VAT excluded) or 11,39 % of GDP. (GDP in 2005 was 229.031.000.000,00 HRK²).

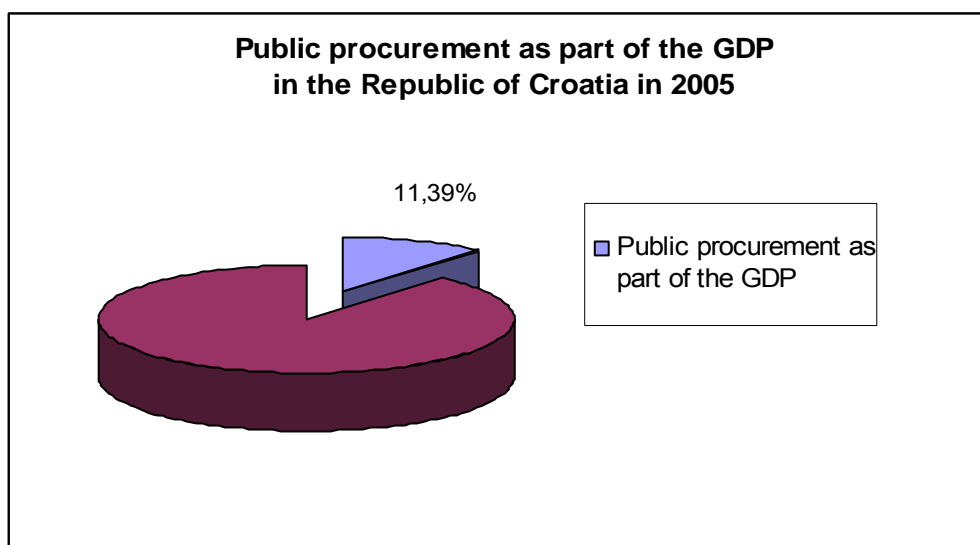


Figure 4

² Source: http://www.hnb.hr/statistika/h-ekonomski_indikatori.htm

Public procurement in 2005 according to the value of concluded contracts

This section contains information on the total amount of public procurement in 2005 according to the value of concluded contracts. 87 % of the total value of the concluded contracts is comprised of the high value contract concluded according to the Public Procurement Act. The rest is comprised of the low value procurement (not exceeding 200.000,00 HRK) procured according to the Regulation on procurement procedures of goods, work and services of the lesser value.

Public procurement in 2005 according to the value of concluded contracts		
	Amount in HRK	%
Low value procurement	3.422.303.343,00	13
High value procurement	22.663.198.904,00	87
Total	26.085.502.247,00	100

Table 3

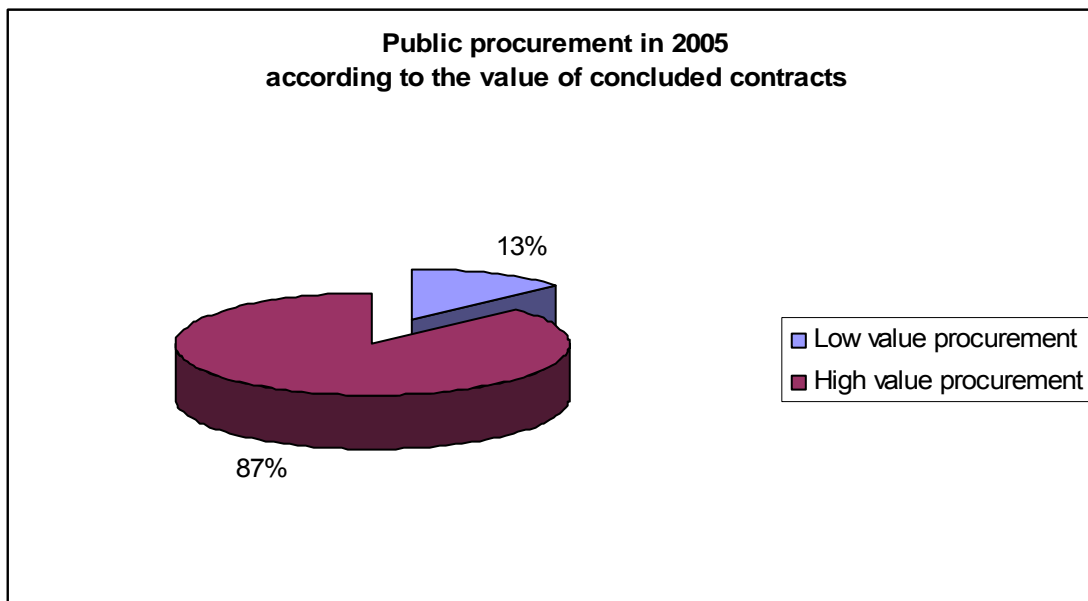


Figure 5

Public procurement in 2005 according to the object of procurement

The value of public procurement categorized according to the object of procurement is given in the following table. The analysis shows that the largest share referred to the procurement of works (57%). Goods made up (27%), while services made up 16% of the public procurement. (Figure 6)

Public procurement in 2005 according to the object of procurement		
Object of procurement	Amount in HRK	%
Goods	6.937.837.636,00	26,60
Services	4.103.177.591,00	15,73
Works	15.044.487.020,00	57,67
Total	26.085.502.247,00	100,00

Table 4

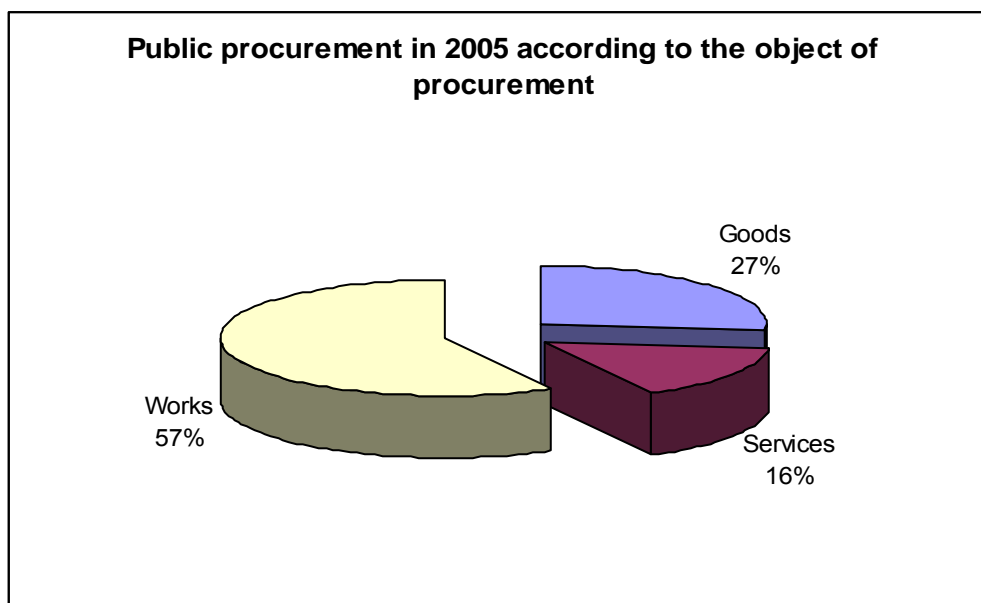


Figure 6

Public procurement in 2005 according to the type of procedure and the object of Procurement

The analysis of the type of the procedure reveals that the largest share of procurement was realized through the so-called open procedure (18.495.190.149,00 HRK). The second largest share was that of the negotiating procedure (4.901.190.718,00 HRK) whereas the restricted procedure amounted to 2.689.121.380,00 HRK. (Figure 7)

Public procurement in 2005 according to the type of procedure and the object of procurement						
Object of procure ment	Open procedure		Restricted procedure		Negotiating procedure	
	Value	%	Value	%	Value	%
Goods	4.340.503.338	16,64	1.018.301.373	3,90	1.579.032.925	6,05
Services	2.078.315.279	7,97	731.958.096	2,81	1.292.904.216	4,96
Works	12.076.371.532	46,30	938.861.911	3,60	2.029.253.577	7,78
Total	18.495.190.149	70,90	2.689.121.380	10,31	4.901.190.718	18,79

Table 5

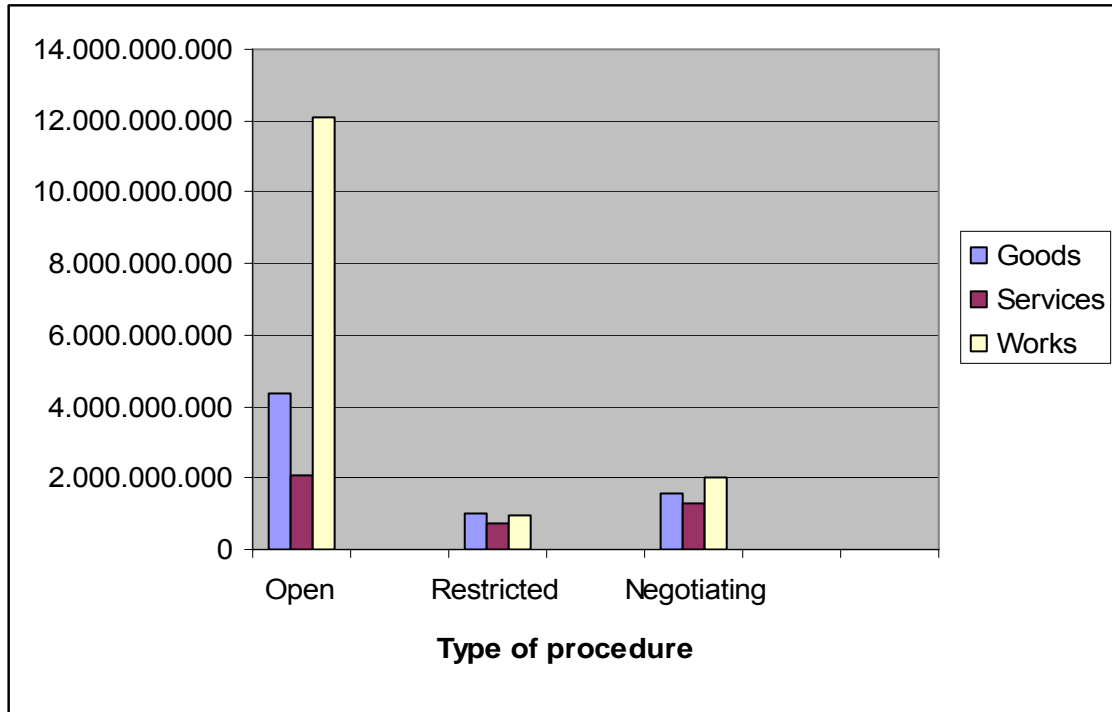


Figure 7

The largest procuring entities according to the value of concluded contracts in 2005

The largest procuring entities according to the value of concluded contracts in 2005 are listed according to the article 4 of the Public Procurement Act.

- Governmental and other bodies which are budget beneficiaries and other legal persons (article 4, paragraph 1 and 2), (Table 6, Figure 8)
- Utility sector (article 4, paragraph 3), (Table 7, Figure 9)

10 largest procurement authorities which are budget beneficiaries³	
Title	HRK
Grad Zagreb	684.767.863,00
Hrvatske šume	461.103.890,00
Ministarstvo unutarnjih poslova	349.884.630,00
Klinički bolnički centar Rijeka	277.814.189,00
ŽUC Istarske županije	191.426.526,00
Gradska ljekarna Zagreb	190.460.253,00
Sveučilište u Splitu	186.610.335,00
Ministarstvo financija	186.541.960,00
ŽUC Split	181.992.481,00
ŽUC Primorsko-goranske županije	143.234.094,00

Table 6

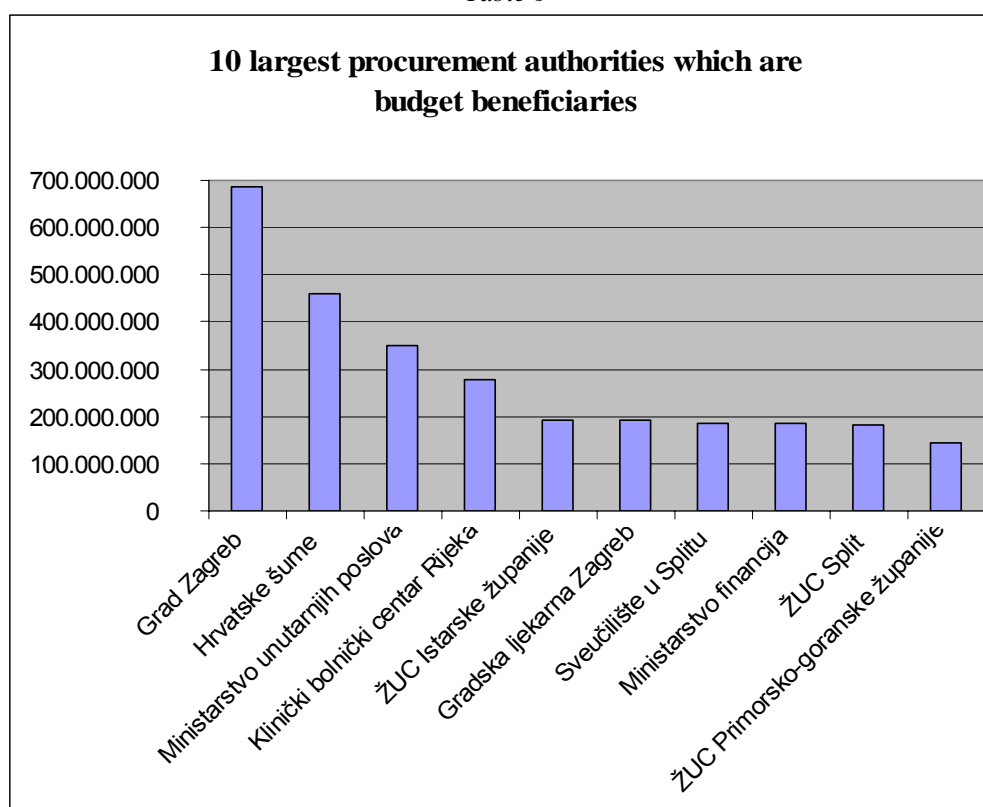


Figure 8

³ City of Zagreb, Croatian Forests, Ministry of Interior, Klinički bolnički centar Rijeka, Regional Road Authorities – Istria Region, City Pharmacy – Zagreb, University of Split, Ministry of Finance, Regional Road Authorities – Split, Regional Road Authorities of the Primorje and Gorski Kotar Region

10 largest procurement entities in the utility sector⁴	
Title	HRK
Hrvatske autoceste d.o.o.	6.810.393.659,00
HEP	3.293.735.407,00
Hrvatske Ceste d.o.o.	1.772.843.080,00
INA d.d. Sektor nabave	1.174.368.436,00
HŽ Hrvatske željeznice d.o.o	463.275.344,00
PLINACRO d.o.o.	291.466.169,00
Autocesta Rijeka -Zagreb	269.417.157,00
GKG d.o.o. Vodoopskrba i Odvodnja	238.285.886,00
Odašiljači i veze d.o.o.	120.939.288,00
Zračna luka Dubrovnik d.o.o.	100.633.958,00

Table 7

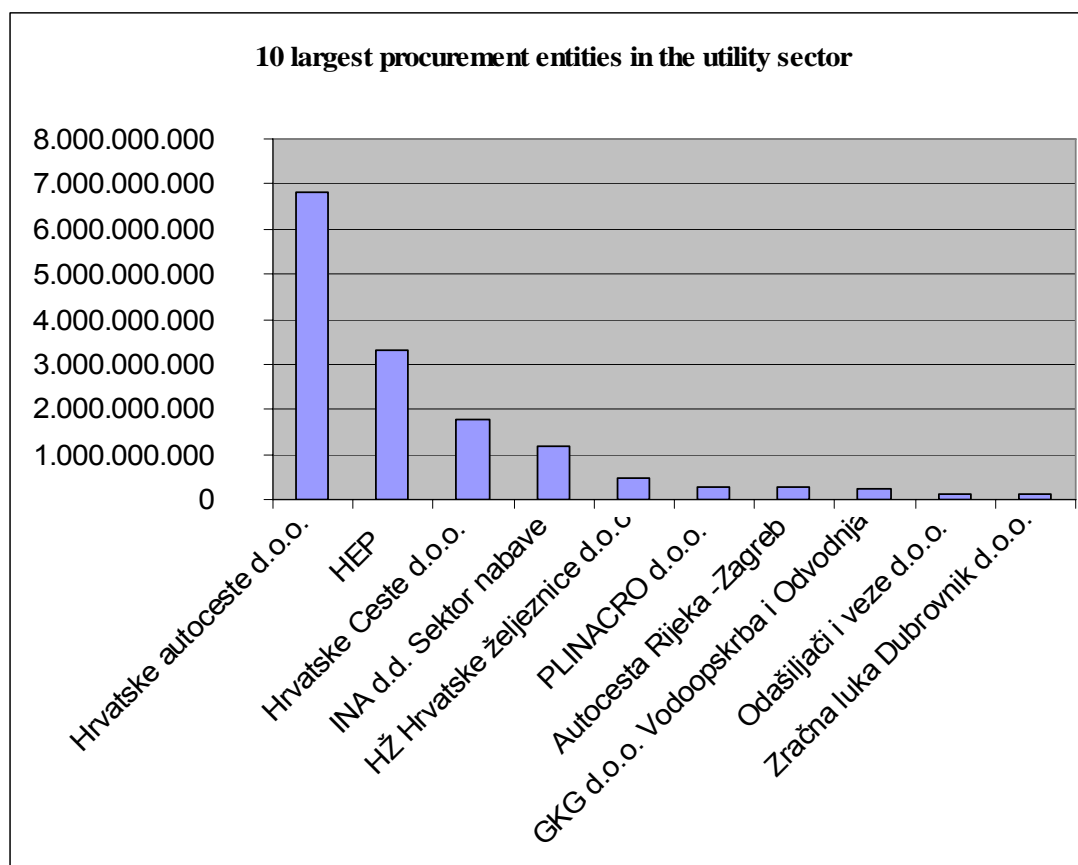


Figure 9

⁴ Croatian Motorways Ltd., Croatian Electricity Company, Croatian Roads, INA (oil company), Croatian Railways, Plinacro, Highway Rijeka –Zagreb, Odašiljači i veze (Transmissions and broadcasting), Dubrovnik Airport

Public procurement in 2005 according to the National classification of economic activities

The following data outline the structure of the procuring authorities according to the National classification of economic activities. When providing the information the procuring entities had to submit the code of the economic activity according to the National classification of economic activities. The analysis of the data reveals the portion belonging to different groups of procuring authorities in the overall amount of public procurement in 2005. The largest portion in the public procurement belonged to the Water Supply, Energy Supply and Transportation sector, also called the utility sector.⁵

Public procurement in 2005 according to the National classification of economic activities		
	HRK	%
State administration bodies, state authorities and other state bodies	1.178.335.834,00	4,52
Local and regional governments (counties, municipalities and cities)	2.507.113.670,00	9,61
Legal persons who perform one or more activities of common interest	7.675.377.890,00	29,42
Utility sector	14.724.674.853,00	56,45
Total	26.085.502.247,00	100,00

Table 8

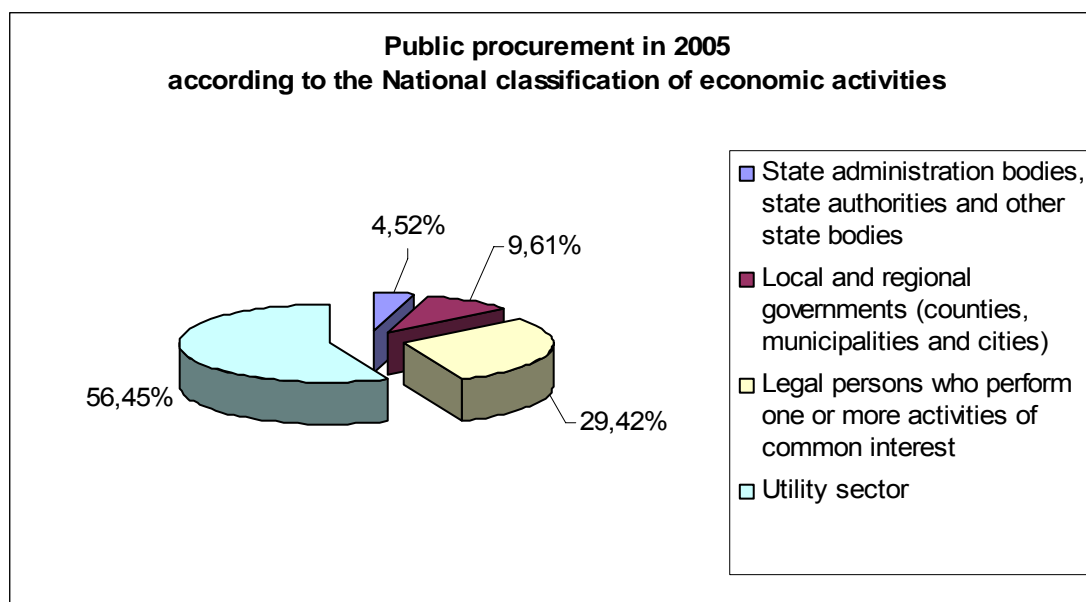


Figure 10

⁵ INA d.d., airport authorities, port authorities, Croatian Railways, ZET, Odašiljači i veze (Transmissions and broadcasting) , Croatian Electricity Company, Plinacro, Janaf, Croatian Post, Croatian Motorways, Plovput...

The largest procuring entities in the local and regional governments

The table below shows the largest procuring authorities in the local and regional government. Figure 11 and 12 show 10 largest procurers in this sector.

10 largest procuring authorities – cities	
Grad Zagreb	684.767.863,00 kn
Grad Rijeka	57.977.480,00 kn
Grad Zadar	49.948.761,00 kn
Grad Split	49.542.332,00 kn
Grad Koprivnica	47.128.867,00 kn
Grad Mali Lošinj	46.884.101,00 kn
Grad Osijek	42.672.676,00 kn
Grad Šibenik	38.758.226,00 kn
Grad Čakovec	33.773.926,00 kn
Grad Sinj	29.018.973,00 kn

Table 9

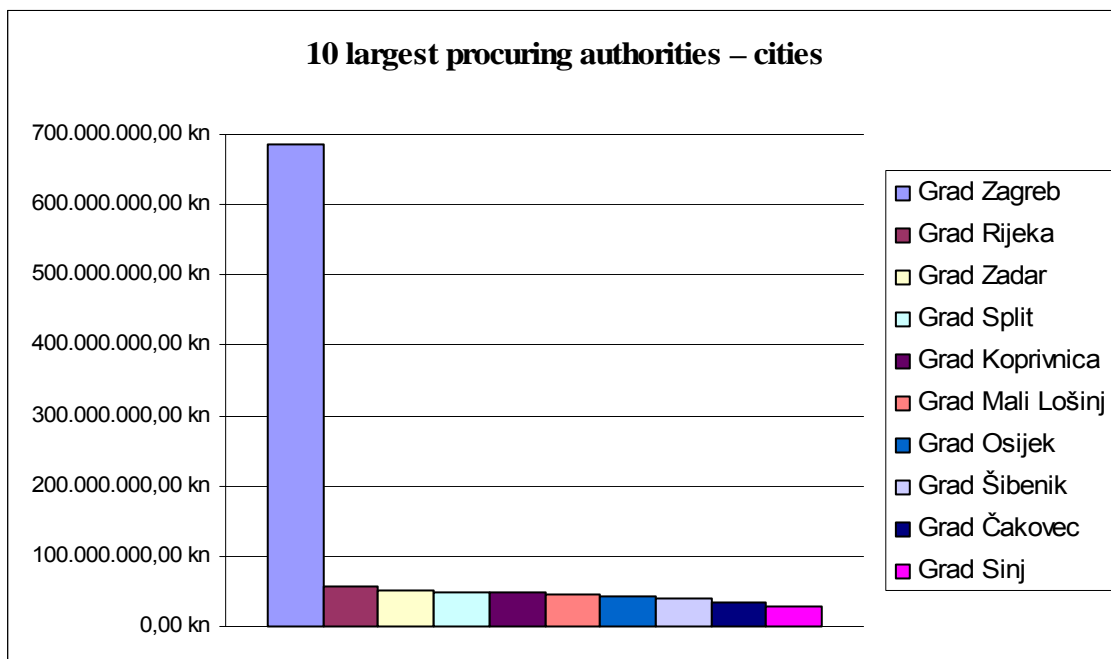


Figure 11

10 largest procuring authorities – counties	
Osječko-baranjska županija	56.974.937,00 kn
Zagrebačka županija	54.826.454,00 kn
Karlovačka županija	46.390.438,00 kn
Splitsko-dalmatinska županija	25.159.753,00 kn
Vukovarsko-srijemska županija	21.760.463,00 kn
Istarska županija	17.450.000,00 kn
Bjelovarsko-bilogorska županija	17.281.733,00 kn
Međimurska županija	11.188.702,00 kn
Zadarska županija	10.348.251,00 kn
Varaždinska županija	9.410.069,00 kn

Table 10

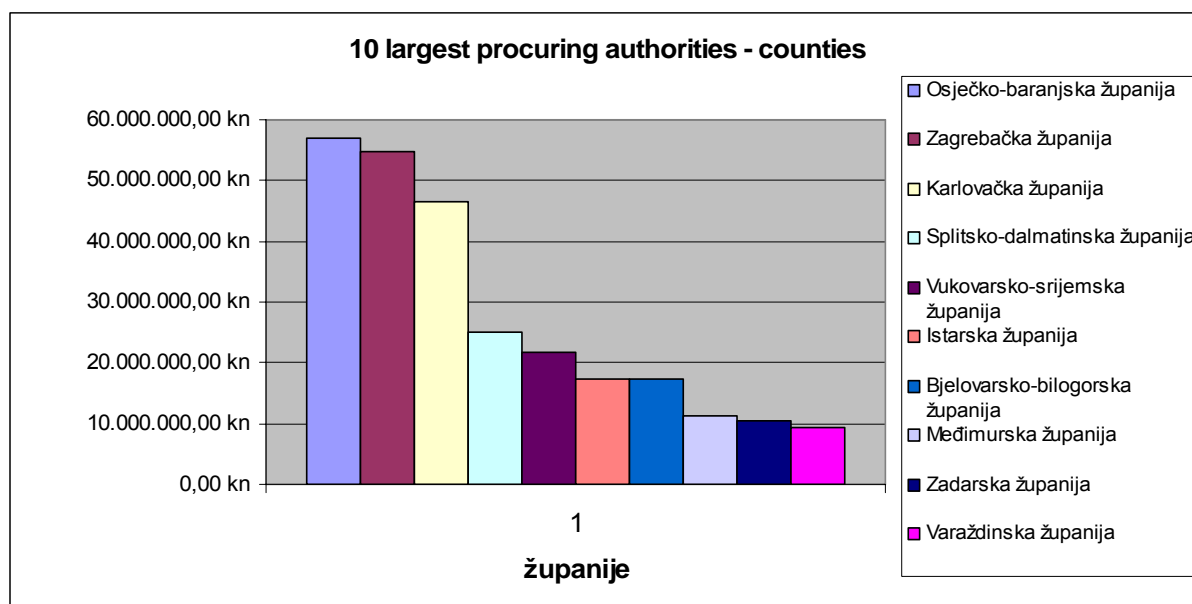


Figure 12

Statistical report on public procurement in the Republic of Croatia in 2005

TOTAL

Object of procurement	TYPE OF PROCEDURE						TOTAL	
	OPEN		RESTRICTED		NEGOTIATING			
	Number of concluded contracts	Amount in HRK (VAT excluded)	Number of concluded contracts	Amount in HRK (VAT excluded)	Number of concluded contracts	Amount in HRK (VAT excluded)		
Goods	3517	4.340.503.338,00	102	1.018.301.373,00	790	1.579.032.925,00	4409	6.937.837.636,00
Services	1091	2.078.315.279,00	21	731.958.096,00	497	1.292.904.216,00	1609	4.103.177.591,00
Works	3192	12.076.371.532,00	93	938.861.911,00	434	2.029.253.577,00	3719	15.044.487.020,00
Total	7800	18.495.190.149,00	216	2.689.121.380,00	1721	4.901.190.718,00	9737	26.085.502.247,00

TABLE 1 - FROM 20.00,00 TO 200.000,00 HRK

Object of procurement	TYPE OF PROCEDURE						TOTAL	
	OPEN		RESTRICTED		NEGOTIATING			
	Number of concluded contracts	Amount in HRK (VAT excluded)	Number of concluded contracts	Amount in HRK (VAT excluded)	Number of concluded contracts	Amount in HRK (VAT excluded)		
Goods		220.258.040,00		1.000.789.298,00		213.260.613,00		1.221.047.338,00
Services		106.494.452,00		656.223.903,00		173.247.416,00		762.718.355,00
Works		113.494.197,00		870.247.133,00		68.288.291,00		983.741.330,00
Total		440.246.689,00		2.527.260.334,00		454.796.320,00	0	3.422.303.343,00

TABLE 2 - FROM 200.000,00 TO 1.460.000,00 HRK (GOODS AND SERVICES) AND 36.500.000,00 HRK (WORKS)

Object of procurement	TYPE OF PROCEDURE						TOTAL	
	OPEN		RESTRICTED		NEGOTIATING			
	Number of concluded contracts	Amount in HRK (VAT excluded)	Number of concluded contracts	Amount in HRK (VAT excluded)	Number of concluded contracts	Amount in HRK (VAT excluded)		
Goods	3517	1.351.843.012,00	102	17.512.075,00	790	284.536.049,00	1.653.891.136,00	
Services	1091	513.277.604,00	21	8.355.804,00	497	242.082.069,00	763.715.477,00	
Works	3192	4.336.819.159,00	93	68.614.778,00	434	1.006.868.946,00	5.412.302.883,00	
Total	7800	6.201.939.775,00	216	94.482.657,00	1721	1.533.487.064,00	9737	7.829.909.496,00

TABLE 3 - ABOVE 1.460.000,00 HRK (GOODS AND SERVICES) AND 36.500.000,00 HRK (WORKS)

Object of procurement	TYPE OF PROCEDURE						TOTAL	
	OPEN		RESTRICTED		NEGOTIATING			
	Number of concluded contracts	Amount in HRK (VAT excluded)	Number of concluded contracts	Amount in HRK (VAT excluded)	Number of concluded contracts	Amount in HRK (VAT excluded)		
Goods	891	2.768.402.286,00			149	1.081.236.263,00	3.849.638.549,00	
Services	158	1.458.543.223,00	8	67.378.389,00	108	877.574.731,00	2.403.496.343,00	
Works	139	7.626.058.176,00			15	954.096.340,00	8.580.154.516,00	
Total	1188	11.853.003.685,00	8	67.378.389,00	272	2.912.907.334,00	1468	14.833.289.408,00

Conclusion

According to the provisions of the Institutional framework which were in effect until 2003 all activities regarding the public procurement were performed by the Public Procurement Administration within the Ministry of Finance. With regard to the need for the institutional strengthening of the public procurement system as well as the strengthening of the role of the Public Procurement Office, the Public Procurement Office was taken out of the organizational structure of the Ministry of Finance to become a professional service of the Government of the Republic of Croatia.

In 2004, the Public Procurement Office started recruiting staff, thus increasing the scope of its work

The PPO's budget for 2005 was 4.243.170,00 HKR, and comprised three activities: administration and management, development of the IT system, and the office equipment. In 2005 the PPO also received a donation of IT equipment worth 91.943,52 HKR. The largest expenditures concerned the procurement of the office equipment, rental fee for the new office space, and compensation for employees.

Execution of the PPO's budget in 2005 was 2.783.386,00 HKR which is 64% of the planned budget.

As the amount of public procurement represents considerable percentage of GDP, the PPO will need to intensify activities regarding the development of IT system and e-procurement. The PPO will continue with activities regarding data-bases for analytical purposes, improve the system of data exchange and analyse and integrate various existing data-bases containing information about entities obliged to adhere to the Public Procurement Act.

In accordance with the National program for the suppression of corruption in the Republic of Croatia 2006-2008 the Public Procurement Office will complete the preparation and then proceed with the implementation of the e-procurement system. According to the above mentioned program, the PPO continuously reports to the Ministry of Justice about all activities stated in the Action plan of the PPO, notably the suppression of corruption by monthly completed activities.

All activities of the Public Procurement office stated in this Report are supported by the Report of the European Commission. They aim to provide functional public procurement system and meet the requirements and benchmarks of the European Commission.

Zagreb, 14 December 2006.

HEAD OF THE PUBLIC PROCUREMENT OFFICE

Mato Regvar