Center for Civil Communications
Центар за грађански комуникации

NED NATIONAL ENDOWMENT FOR DEMOCRACY
SUPPORTING FREEDOM AROUND THE WORLD

CONSTRUCTION WORK TENDERS ARE AWARDED UNDER ONE SET OF CONDITIONS, BUT PERFORMED UNDER ANOTHER

RESEARCH
on corruption risks in construction works, 2021 – 2025

November 2026

Publisher: Center for Civil Communications

Editor: German Filkov

Authors: Sabina Fakikj, German Filkov, and Marko Mitevski

Copyright: Center for Civil Communications

Proofreading: Tatjana B. Eftimoska

Translation from Macedonian into Albanian language: Agon Ismaili

Translation from Macedonian into English language: Katerina Dimishkovska

Design:

Published in: Skopje, 2026

Circulation: 150

MK-

AL-

EN-

CIP:

TABLE OF CONTENT

1. KEY FINDINGS 3

2. CONTEXT AND METHODOLOGY APPROACH 5

3. DETAILED RESEARCH FINDINGS 6

1. KEY FINDINGS

- .A significant number of construction works contracts are not performed according to initially agreed terms and conditions, meaning that, in the course of contract performance, deadlines are extended, contract value is increased, and the scope and conditions for performance of works are changed. In doing so, some terms and conditions under which the contracts are performed are actually determined after completion of tender procedure and contract award, i.e. beyond the scope of the competitive process under which the contractor is selected. Such practice brings under question the essence of initially implemented public procurement and increases the risk of corruption and abuses.

- Breach of contract deadlines and other deviations from agreed terms and conditions are not accompanied by adequate allocation of responsibility and enforcement of sanctions. In the practice, the role of supervision companies is oftentimes reduced to formal certification of the situation in the field instead of timely identification, documentation and prevention of any deviations.

- The status of significant portion of construction projects cannot be established with certainty. This is evidenced by the major difference in the number of contracts signed and the number of contract performance notifications submitted to ESPP, as well as the cases where the content of notifications submitted does not correspond to the actual situation. The lack of timely, accurate and complete information limits the possibility for efficient monitoring and control of contract performance, and allows abuses to remain undetected.

- Public funds are spent on buildings and infrastructure of shorter lifespan and of quality below the expected standard. Defects in construction works often appear shortly after the contract is completed.

- In the course of time, the value of construction work contracts is increasing, but competition in tender procedures for such works is decreasing. In 2021, on average, there were four to five companies participating in tender procedures, but in 2025 their number has dropped below three.

- In the course of five years, the value of contracts awarded under tender procedures without competition has increased by three and a half times, i.e. from 38 million EUR in 2021 to 141million EUR in 2025. The growth of tender procedures with participation of one bidder signals a greater risk of prior arrangements, adjustment of tender specifications to certain bidders, and predictable tender outcomes.

- Some tender procedures define eligibility criteria that evidently narrow the pool of potential bidders. Requirements relating to multiple and specific references needed, high number of precisely defined personnel profiled in advance, enlistment of specific equipment, in-house laboratories, base stations for cement production, and other restrictive conditions could significantly limit competition.

- Competition is also limited by the manner in which contracting authorities set the contract award criteria. Under the last amendments to the Law on Public Procurement (November 2026), use of the criterion “price and quality” should be increased, whereby the manner in which the “quality” element is defined and applied would gain much greater significance.

- In the last five years, 10 construction companies have been awarded contracts worth around half a billion EUR, which is almost one third of the cumulative value of all construction work tenders. They include *STENTON GRADBA* from Bitola, *ZIKOL* from Strumica, *ILINDEN* from Struga, *GRANIT* from Skopje, *BAUER BG* from Skopje, *JU-BAJ 2* from Skopje, *BITEM* from Skopje, *NB-COMPANY* from Tetovo, *LENDI GROUP* from Skopje, and *ZOBEK MINING* from Skopje.

- In the case of many contracting authorities, the biggest portion of funds are distributed among a handful of companies. Hence, in the case of the University “Mother Teresa”, one contract with *STENTON GRADBA* accounts for 96% of the total value of construction work tenders in the five-year period; in the case of the Directorate for Technological Industrial Development Zones, two companies account for a share of 81%; in the case of ESM, four companies cover more than 80% of the total value; and in the case of the Public Enterprise for State Roads, two companies have a share of 61% in the total value of construction work contracts. Such concentration raises a red flag and necessitates additional review of public procurement competition levels, and of the method for contract award and contract performance.

- Supervision over construction works is highly concentrated with a small number of companies. Only 10 companies cover 91% of the total value of these contracts, and only two of them account for a share of more than 61%. Concentration is especially risky because these companies perform control over contractors and certify completion of works. When a limited number of companies perform supervision over a significant portion of public construction works, there is increased risk of dependence, conflict of interests, and insufficiently independent control.

- A significantly higher value of construction work tenders is noted in the election years, especially the years when local elections take place. Concentration of construction work contracts in the wake of elections carries a risk of abuse of public resources for electoral purpose.

2. CONTEXT AND METHODOLOGY APPROACH

Construction is one of the areas where the highest amounts of public funds are spent. The great financial value of projects, complexity of tender documents, long contract duration, and dependence on assessments and decisions during contract performance create several points where corruption risks emerge.

In the period2021–2025, construction works account for around 24% of the total value of public procurement in North Macedonia. This means that corruption risks related to the manner in which construction projects are planned, tender procedures are implemented, and contracts are performed have a significant financial effect and do not solely concern individual public procurement contracts.

Hence, the research is not focused only on determining whether irregularities exist in separate tender procedures, but the purpose is to identify schemes that are indicative of corruption risks.

The research covers public procurements registered in the Electronic System of Public Procurement (ESPP) in the period from 2021 to 2025, ending with data available on 25 August 2026.

Quantitative data are complemented with information from examination of specific public procurement procedures. In the case of certain contracts, the team reviewed relevant tender documents, baseline contracts, contract annexes, and documents available after contract performance.

The cases examined were selected according to the contract value, the number and type of changes made to the contract, and whether they are featured in the Bureau of Public Procurement's 2025 Report on Red Flags.

The purpose of examining specific cases is to determine what hides behind the figures: what requirements are defined for tender participation, why are contracts changed, what has changed, how are changes justified, and whether changes affect the terms and conditions under which the contractor was selected in the first place.

In that, the research combines data from the overall system of public procurement with examination of specific public procurement contracts. While data indicate to existence and frequency of certain phenomena, analysis of documents pertaining to specific public procurement procedures allows an examination of how such phenomenon looks in the practice and location of key corruption risks in construction public procurement.

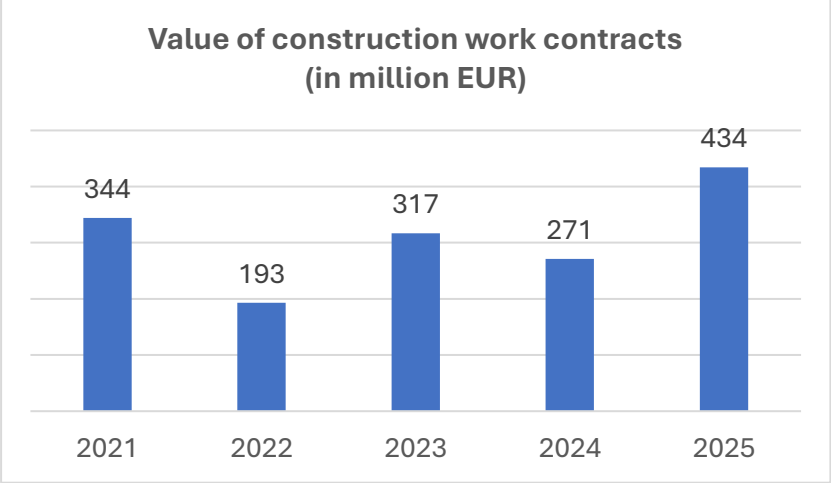
This research is conducted as part of the project "Combating Corruption in Construction Public Procurement" implemented by the Center for Civil Communications, with financial support from the National Endowment for Democracy (NED).

3. DETAILED RESEARCH FINDINGS

- **A significant number of construction work contracts are not performed according the initially agreed terms and conditions, meaning that, in the course of contract performance, deadlines are extended, contract value is increased, and scope and conditions for performance of works are changed. In doing so, some terms and conditions under which the contracts are performed are actually determined after completion of tender procedure and contract award, i.e. beyond the competitive process under which the contractor is selected. Such practice brings under question the essence of initially implemented public procurement and increases the risk of corruption and abuses.**

In the period 2021–2025, a total of 9,335 construction work contracts were signed, in cumulative value of around 96 billion MKD, i.e. more than 1.5 billion EUR. On annual level, the share of construction works in the total value of public procurement in the last five years accounts for an average of 22%.

The annual value of construction work contracts significantly varies in the period from 2021 to 2025.[1] In 2021, the value of these contracts amounted to 344 million EUR, followed by a decrease to 193 million EUR in 2022. In 2023, the value again increased to 317 million EUR, and then dropped to 217 million EUR in 2024. The most significant growth is noted in 2025, when a record number of contracts were signed (2,187), whose value also reached an equally record-breaking 434 million EUR. This is by 163 million EUR, i.e. around 60% higher than the value of construction work contracts recorded in 2024. At individual level, the relevant share of construction works in total public procurement is the highest in 2021 and 2025.



In the last five years,791 of the total number of 1,500 contracting authorities registered in ESPP have awarded construction work contracts. **However, the highest value share among these tenders belongs to a small number of contracting authorities. Notably, 50 contracting**

[1] Calculations of the value of construction works do not include contracts awarded by ECN Macedonia JSC Skopje, on the account of its status as privately-owned company, although these contacts are also published in the Electronic System of Public Procurement.

authorities with the highest value construction work contracts account for a share of high 77% in the total value of construction work public procurement over the period 2021–2025. The Public Enterprise for State Roads is at the top of this list, with around 149 million EUR, followed by the Directorate for Technological Industrial Development Zones with around 70 million EUR, and the Power Plants of North Macedonia (ESM) with 63 million EUR worth of construction works, then the City of Skopje with construction tender procedures in the value of 58 million EUR, and the Ministry of Education and Science, whose contracts amount to around 48 million EUR.

One of the most significant characteristics is the fact that, in the period 2021-2025, the Electronic System of Public Procurement recorded a total of 2,492 modifications to construction work contracts implying change of contract performance deadline and contract value, or addition of additional or unforeseen works. In that, the number of registered contract modifications should be taken with a reserve, given that the contracting authorities do not adherently comply with their obligation to submit contract modification notifications to ESPP. Hence, the actual number of contracts changed and annexes thereto is probably much higher than the number established on the basis of publicly available data in ESPP.

Modifications to construction work contracts, 2021–2025

Year	Total number of contracts	Number of recorded contract modifications
2021	2,031	644
2022	1,515	509
2023	1,832	191
2024	1,770	511
2025	2,187	637
Total	**9,335**	**2.492**

When the number of registered contract modifications is corelated to the number of contracts signed in the same period, the resulting score for construction works is a ratio of 27%. In the case of goods, the ratio is 2%, and in the case of services - 6%. The ratio does not mean that 27% of contracts were modified because one contract could be modified several times. It shows how many changes are recorded against the number of contracts signed, and as such, it shows a significantly more frequent use of contract modifications in the case of construction works compared to goods and services. In spite of this limitation, there is a significant difference between construction works and other types of public procurement.

Contract modifications in the period 2021–2025, per procurement subject

Type of procurement	Contracts signed	Recorded contract modifications	Modifications/contracts ratio
Construction works	9,335	2,492	26.7%
Goods	68,325	1,672	2,4%

Services	45,629	2,705	5.9%

Source: Electronic System of Public Procurement

To better illustrate this problem, several specific examples are elaborated below.

The Ministry of Education and Science (MES) is marked by the highest number of modifications to public procurement contracts in 2025. Among them, special attention should be paid to project for construction of a new school building for SMS High School "Sami Frasheri" in the Municipality of Kumanovo as one of the biggest projects. The tender procedure no. 01988/2024 was completed with a contract signed in April 2024 and awarded to *HODZA ENGINEERING* from Kumanovo, in the value of 5.2 million EUR. After five amendments, the contract value was increased by 795 thousand EUR and the construction deadline was extended from 16 to 30 months. Deadline extensions and/or value increases are also noted with several other construction work contracts awarded by MES.

Another example is the contract awarded by the **Ministry of Environment and Spatial Planning** for reconstruction of the water supply system in Bogdanci. The tender procedure no. 14670/2022 was completed with contract award to *KONSTRUKTOR* LLP from Skopje, signed in December 2022. However, instead of contract performance pursuant to initially agreed terms and conditions, two contract annexes followed. The first annex concerned unforeseen works in the value of 242 thousand EUR, increasing the total value of this reconstruction effort to 4.3 million EUR. The second annex concerned deadline extension from 36 to 44 months.

The contract of the **Public Enterprise for State Roads** for the section BC Blace – Skopje (junction in Stenkovec) was also subject to modifications. The tender procedure no. 17816/2022 resulted in contract awarded to *GRANIT JSC* from Skopje, signed in January 2023. Three contract annexes increased its value from 11.5 to 13.8 million EUR, while also extending the performance deadline by six months, i.e. by December 2024. By June 2026, ESPP was not presented with contract performance notification for this project.

Modifications to construction work contracts are also frequent among local institutions. **The Municipality of Kumanovo** is marked by the highest number of contract amendments, and here special attention should be paid to the last construction work contract modified. The contract concerned infrastructure construction for the industrial zone in village Rechica, awarded under tender procedure no. 19989/2024 to *KOOP ENGINEERING* from Kumanovo and signed in February 2025, in the value of 3.4 million EUR. Under the November 2025 annex intended to regulate shortages, surpluses and additional or unforeseen works, the contract value remained unchanged, but its performance duration was increased from 210 to 310 work days.

The Municipality of Centar's facility reconstruction for the Sports Hall "Rabotnichki" was implemented in two stages, by the same company – EM GROUP ELEKTROMETAL from Skopje. Both tender procedures no. 11625/2024 and 22677/2024 were subject to three rounds of modifications, i.e. three annexes each. The first stage is now more expensive by 82 thousand EUR, with doubled performance deadline – from one to two years. As regards the second stage,

which is still active, the contract value was increased by 278 thousand EUR. To present, both stages of reconstruction works cost a total of 2.2 million EUR.

In the case of the **Municipality of Prilep,** the contract for rehabilitation of streets, awarded under tender procedure no. 01921/2023 in April 2023 to *TOPLINA* from v. Podmolje, Ohrid, was worth 2 million EUR, and included performance deadline of six months. Under the contract annex, the value was increased by around 400 thousand EUR, i.e. within the law-stipulated maximum of 20%, and the performance deadline was extended by 30 April 2025, thus becoming 4 times longer than the initial deadline.

The last example from this group concerns a contract awarded by the **Municipality of Veles** (tender procedure no. 19030/2025) in December 2025 to *NET INVEST GROUP* from v. Slatino, Tearce, and concerns façade reconstruction at the SMVS "Dimitrija Chupovski", façade and roof reconstruction for the school's sports hall, with performance deadline of 60 days from the date of introduction to work. On 1 June 2026, when it could be rightfully expected for the contract to be completed, a contract annex was signed wherein it is enlisted that omissions in tender documents have been established and the contractor is granted new deadline for contract performance, 4 times longer than the initial deadline, in total duration of 236 days.

An additional problem is seen in the fact that unit prices and changes to quantities agreed are not duly analysed as part of contract modification. The mere determination that the contract's total value remained unchanged or has increased within the law-stipulated upper threshold of 20% is not sufficient to assess the modification's economic effect. Specific contract items that are being changed need to be analysed in terms of the scope of changes and in terms of unit prices. For example, if the bidder has offered a very low price for an item that is later almost completely excluded, and very high price for an item that is later doubled or tripled in scope, the final economic outcome could dramatically change - with or without minimum increase in the contract's total value. The European Commission explicitly flags unbalanced formation of prices offered, irregular or unfounded formation of prices, and use of inflated unit prices as possible fraudulent practices.

Such occurrences are of particular importance in the case of construction work contracts where changes to the quantities of individual items could significantly impact the contract's final value and economic balance. Modifying the quantities and the structure of individual items could result in reduction of works marked by lower unit prices and increase of those marked by higher unit prices, making the contract more favourable for the contractor, although its total value has not been formally increased.

This is especially relevant in the so-called "arrangement of shortages, surpluses and additional or unforeseen works", whereby the contract's total value sometimes remains unchanged. Nevertheless, the unchanged total value does not necessarily mean that conditions under which the contractor performs the works remains unchanged as well. On the contrary, reallocation of quantities among individual items, especially when they concern items with significantly different unit prices, could lead to crucial change in terms of the contract's economic balance.

Having in mind the examples above, as well as the total number of contract modifications, it could be established that, under circumstances when amendments to construction work contracts become a rule and not exception, an erroneous incentive is created for tender participants. Bidders could have an interest to make an offer or accept unrealistically short deadlines or low prices to win the contract in expectation that contract terms and conditions would be later corrected by means of annexes. In such case, the contract award procedure becomes merely the initial stage of the process, while the actual terms and conditions under which the contract will be performed are determined after its award, beyond any competitive challenge and without participation of other bidders.

This risk is particularly important when considered against the fact that as high as 97% of contracts signed in the analysed period used "lowest price" as the selection criterion. Under such circumstances, the initially offered price plays a key role in selection of the economic operator. If the contract value is significantly increased by means of annexes after its signing, a very serious question is raised whether the competitive advantage acquired by the initially-bided lowest price remains real.

This is also a source of corruption risks. What had initially been a subject of competition becomes a subject of agreement between the contracting authority and the already selected contractor. Instead of testing terms and conditions on the market prior to contract award, they are changes after the contract is signed, in the absence of any competitors that could offer better terms and conditions. Hence, later contract modifications could become a scheme to circumvent competition.

Frequent modification of construction work contracts, without sustained justification and without serious supervision findings, does not only imply a risk, but is contrary to Article 119 of the Law on Public Procurement. The Law allows changes to already signed contracts only as an exemption and under strictly regulated conditions. First and foremost, contract modification requires cumulative fulfilment of several conditions on whose account it impossible to change the economic operator, as follows:

- due to economic or technical reasons, such as requirements on replaceability or interoperability with the existing equipment, services or installations procured under the initial procedure; and
- could cause serious difficulties or could significantly increase costs of the contracting authority.

Moreover, the contract modification must not meaningfully change the nature of the public procurement contract or framework agreement. The law provision on the upper threshold of 20% of the initial contract's value is applied after these conditions are met.

The rule on 20% is an upper threshold, not an automatically granted right. It must not be treated as a reserve which is, by default, used for each and every contract awarded. Formal compliance with this threshold does not mean that contract modifications are lawful, unless the previous

conditions are cumulatively met. In the case of construction work contracts, serious justifications and supervision recommendations on fulfilment of these conditions is, by default, missing.

Hence, when contract modifications are reviewed, it is of particular importance to examine whether the change alters the economic or competitive balance of the initially implemented procurement procedure. Two questions are crucial here. First, does the contract modification create a significantly different procurement subject that should be subject to competition. Second, would the altered terms and conditions, if known as early as the tender notice, have allowed participation of other economic operators, would have led to selection of another bid or would have impacted the price and other terms and conditions under which the contractor was selected. On that account, contract modifications should not be assessed only in terms of their nominal value, but also in terms of their impact on initial competition conditions. Even a 5% change in tender procedure worth millions MKD could imply meaningful change of terms and conditions under which the contract was awarded. If the answer to any of these questions is affirmative, then the contract modification is beyond what is allowed by the law. Such action amounts to a misdemeanour liable to the sanction stipulated under Article 118 of the Law on Public Procurement.

Accordingly, the consequences are not limited only to increased contract value or extended deadline for performance of construction works. Modifications to already signed contracts also bring under question the principles that underline the system of public procurement. The bidder is awarded the contract on the basis of competitive conditions and advantages – most often on the account of lowest price and short performance deadline. If these conditions are later subject to significant changes, the advantage on whose basis the bid was selected as the most advantageous one becomes partially or fully irrelevant.

Thus, frequent and meaningful changes to construction work contracts should not be monitored only as project management issue, but as an issue of public procurement lawfulness and integrity. The more different conditions under which the contract was awarded are from those under which the contract is actually performed, the greater is the risk of corruption and abuses. When contract modifications are made without proven fulfilment of law-stipulated conditions, they amount to direct breach of the Law.

- **Breach of deadlines and other deviations from agreed terms and conditions are not accompanied by adequate allocation of responsibility and enforcement of sanctions. In the practice, the role of supervision companies is oftentimes reduced to formal certification of the situation in the field instead of timely identification, documentation and prevention of any deviations.**

In the case of construction work contracts, the contracting authorities are obliged to engage a supervision company tasked with monitoring contract performance, confirm compliance of works with the project design and the bill of quantities, determine deviations therefrom, and certify completed works on the basis of which the contractor is paid.

In the period 2021–2025, the contracting authorities have signed a total of 1,201 contracts for supervision of construction works, in cumulative value of 4.3 billion MKD, i.e. around 70 million EUR.

Supervision should be the first and closest instance of control over contract performance. The practice shows that, in significant number of cases, this role is not fulfilled. Supervision companies frequently certify situations that later justify the need for contract modification. In some cases, the contract annex explicitly refers to omissions in technical documents that have prevented proper contract performance: a finding which, if supervision functioned properly, should have been established at the introduction into works and not after expiration of the contract's performance deadline.

Cases like this open a much broader question about the quality of preparations for construction work public procurement. When the need of additional works arises from incomplete or insufficiently precise technical documents, bill of quantities, project design or erroneously determined quantities, the risk does not emerge at the time when the contract annex is signed, but much earlier – during the stage when the public procurement is planned. Incomplete definition of the procurement subject could lead to establishment of significant portion of the actual terms and conditions and performance costs after selection of the contractor, i.e. beyond the competitive procedure.

In that regard, any modification that introduces "additional" or "unforeseen" works needs to be reviewed in terms of determining whether these works are truly a result of circumstances that could not have been objectively anticipated at the time when the project and tender documents were designed, or it is a matter of works which, by their nature, were evident and necessary to ensure the facility's functionality, and could have been identified as early as the stage on project planning and developing the bill of quantities. Special attention should be paid to cases where the project documents, technical specifications, required expert personnel and other tender aspects show that the contracting authority had been aware of the need for certain works, but has failed to include them in the bill of quantities or the initial contract. In such cases, it should be additionally established whether it is a matter of an omission in public procurement planning or a model by means of which portion of the actual scope and value of works is left to subsequent agreements with the already selected contractor, beyond competitive procedure.

Non-development of the bill of quantities is an omission in public procurement preparations, not a newly emerged or objectively unpredictable circumstance. It is not sufficient for the contracting authority to later label works as "unforeseen"; instead, it should be examined whether such works could not have been predicted in advance, i.e. whether the contacting authority was actually unable to anticipate them (Article 119, par.3 of the Law on Public Procurement).

ESPP does not feature any mechanism for direct submission of supervision findings independently from the contracting authority. In fact, supervision findings are presented to the same entity whose development of tender documents is most often the reason behind these deviations. There is no system in place for omissions identified in the project design or

unjustifiable delays to reach competent institutions or the public. **The Electronic System of Public Procurement does not include structured data on construction work stages such as performance of works, certified situations, established deviations or opinion of the supervision.**

Formally, every construction work contract includes safeguard mechanisms for the contracting authority against non-performance of contractual obligations: bank guarantees for quality and timely performance, and penalties for breach of contract deadline. Nevertheless, both mechanisms are rarely enforced in the practice.

Officially, there is no instance that disposes with data on the number of bank guarantees activated, nor the number of cases in which penalties were calculated and collected for delays in performance of construction works. These data are not entered in the system, and are not centrally collected and published. Mechanisms that should protect the budget from non-performance of contracts are not subject of systemic measurement, thus preventing any assessment of their use and efficacy, compassions among contracting authorities or even monitoring over the course of time.

What could be inferred is based on monitoring of individual cases and refers to the conclusion that oftentimes safeguard mechanisms are not active or used (bank guarantees for quality and timely contract performance and penalties for breach of contract deadline).

Breach of contract deadline is evident and well documented. Deadlines have been extended even in cases where the initial contract duration was exceeded multiple times and where, in spite of that, instead of allocating responsibility and calculating penalties, the breach is followed by contact annex to formalize the new deadline. Consequently, delays are no longer treated as breach of contract deadline, resulting in reduced or eliminated possibility for enforcement of penalties for the period covered under the deadline extension.

An identical practice is observed in the case of bank guarantees. The bank guarantee for quality contract performance is activated for non-performance of contractual obligations. However, when the deadline is extended by means of contract annex, and the scope of works is adjusted to what has been completed instead of what should have been completed according to the initial contract, the conditions under which the bank guarantee could be activated are changed as well. The bank guarantee is extended together with the contract and expires as inactivated.

When supervision does not establish responsibility, when penal provisions are rendered meaningless by means of contract annexes and when bank guarantees are extended instead of activated, the contractor does not suffer any consequence for breach of deadline or modification of contract terms and conditions. The risk is fully transferred to the contracting authority, i.e. the budget.

Such practices reduce the contractor's responsibility to comply with deadlines and terms and conditions agreed, and creates space for corruption, allowing contracts to be amended to their benefit without adequate control and enforcement of sanctions. When deadline extension and modification of contract terms and conditions become more

frequent reaction than sanctions for non-performance of contractual obligations, an expectation is created that contract deadlines are not binding, but subject to adjustments later in time. Hence, poor control and failure to sanction contract breaches create a mechanism under which contractors are able to avoid consequences of their non-performance, which further increases the risk of favouritism, abuse of contractual mechanisms, and corruptive influences on contract modification.

- **The status of significant portion of construction projects cannot be established with certainty. This is evidenced by the major difference in the number of contracts signed and the number of contract performance notifications submitted to ESPP, as well as the cases where the content of notification submitted does not correspond to the actual situation. The lack of timely, accurate and complete information limits the possibility for efficient monitoring and control of contract performance, and allows abuses to the remain undetected.**

A total of 9,335 construction work contracts were signed in the period from 2021 to 2025, but by 25 August 2026, ESPP was presented with contract performance notifications for only 4,363 of them. It means that 4,972 contracts, i.e. 53.3% of all contracts signed, are not covered by contract performance notifications in ESPP.

The problem, however, is not subsumed to mere lack of notifications. In some cases, even the notifications submitted do not show the contract's actual status.

An illustrative example thereof is the tender procedure no. 22048/2021 for construction of new building, organized by the Food and Veterinary Agency. The contract with *BAUER BG* from Skopje was signed on 10 March 2022, in the value of 515,202,831 MKD, i.e. around 8.4 million EUR. ESPP was presented with a contract performance notification indicting that the value of the performed contract amounts to a total of 515,202,831 MKD, while the actual amount paid is 23,772,974 MKD. In that, the notification enlisted contract performance at 100%, but the section on the type of contract performance is marked as "partial".

In its own right, such notification is contradictory and creates an image that the contract is fully performed, but only partially paid. However, the erroneousness of this interpretation could be seen from the fact that, in reality, not only was the building never constructed, but the contract performance notification was submitted after 3 and a half months following contract award. These facts show that the contract was most probably terminated, but the Food and Veterinary Agency did not present ESPP with this relevant piece of information.

The next example concerns one of the biggest contracts signed in 2023. It is a matter of the tender procedure organized by the Directorate for Technological Industrial Development Zones for construction of temporary accommodation facilities and emergency care ambulance, kindergartens and warehouses with accompanying amenities (parking lots) in TIDZ Skopje 1, TIDZ Skopje 2, TIDZ Shtip and TIDZ Prilep, on the turnkey principle. The contract was signed with *STENTON GRADBA* from Bitola, on 18 December 2023, in the value of 1,781,800,000 MKD, i.e.

around 29 million EUR. The construction deadline was set at 280 days from obtaining an enforceable construction permit. While the contract was signed two and a half years ago, there are no information in ESPP about its status, modification or termination, nor about its performance. According to knowledge obtained during consultations with stakeholders, the contract is in process of termination. Be that as it may, this case as well as underlines shortcomings in recording the actual situation in the field, i.e. untimely updating of data in ESPP.

These examples show that the problem is not merely lack of contract performance notification for significant number of construction work contracts, but that data submitted to ESPP do not necessarily allow establishment of the contract's actual status. As a result, ESPP data do not provide a complete and reliable image on performance of public construction works.

Lack of data clarity is not merely an administrative omission. When it cannot be established whether a contract is performed, terminated or modified, it cannot be determined what was paid, for what type of works, whether the guarantee was activated and who is held responsible. Exactly this type of data unclarity allows abuses to easily remain undetected.

- **Public funds are spent on buildings and infrastructure of shorter lifespan and of quality below the expected standard. Defects in construction works often appear shortly after the contract is completed.**

Formal completion of the contract does not necessarily mean successful completion of the project. Potholes on newly constructed streets, leakages in recently built public buildings and other defects are visible to the citizens as well, but the quality of works performed, to great extent, remains confined to documents available to contracting authorities and supervision entities, beyond the sight of the general public.

Absence of records on defects noted in the warranty period leads to leverage of costs for their elimination as burden on the public budget. Under such circumstances, there is a risk of creating the practice under which the quality is assessed against the status of construction works as completed and paid, instead of how long and how well they would serve the public. This is particularly problematic in the case of roads, water supply and sewage systems, schools, sports halls and other buildings that should be used for years, whose maintenance is also financed with public funds and whose quality of construction determines the quality of services provided to the citizens at these buildings.

When poor quality of works performed does not result in activation of bank guarantees, enforcement of sanctions or the contractor's duty to eliminate the defects at their cost, the cost of poor quality is transferred onto the public budget. In that, the citizens pay twice: first for the construction and then for repairs, reconstruction or additional maintenance of what was already paid.

Poor quality is one of the most frequent consequences of corruption in construction public procurement. When a portion of the contract value is diverted outside the project, the

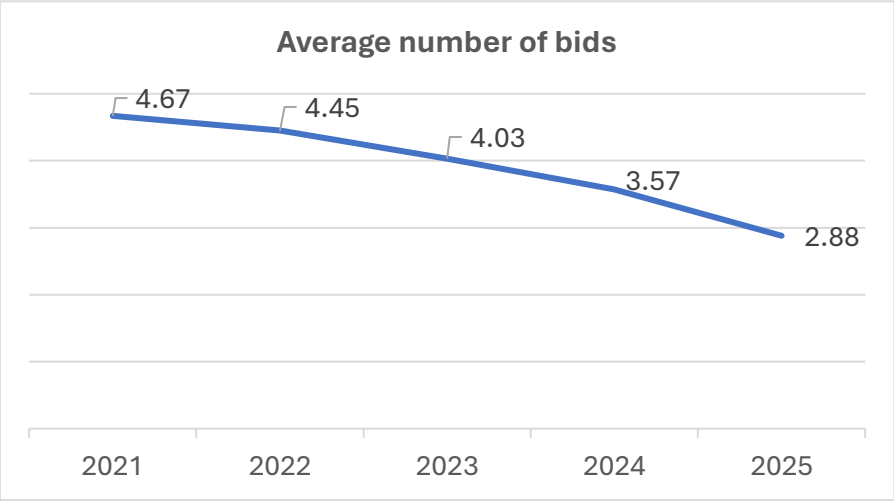
contractor compensates the difference by using cheaper materials and by cutting corners in technology procedures. That is possible only if the supervision certifies performance of works and the contracting authority accepts such certification without objections. As a result, defects that appear shortly after handover of construction works are not only a technical problem. They are a signal that control has failed in particular stage of construction works.

Ultimately, the problem here is not the fact that contracts become more expensive or are performed over longer period of time. The problem is identified in the absence of systemic quality assurance and monitoring, which prevents any answer to the most important question: have the citizens received what they were promised and what they needed for the money paid.

Among the multitude of examples confirming that the quality of construction works financed with citizens' money is not up to the required level, due attention should be paid to ongoing tender procedures that caused great interest in the public. They concern remediation of the landslide on the road to the Teferich neighbourhood in the Municipality of Kisela Voda, which occurred on a previously renovated street, as well as the need for remedial works at the Macedonian National Theatre (MNT) in Skopje, which is considered one of the most expensive cultural buildings constructed in the country, in the amount of 37 million EUR.

- **In the course of time, the value of construction work contracts is increasing, but competition in tender procedures for such works is decreasing. In 2021, on average, there were four to five companies participating in tender procedures, but in 2025 their number has dropped below three.**

The value growth of construction works through the years is accompanied by reduced number of bids. In 2021, the average number of bidders per tender procedure accounted for four to five companies, while in 2025 their number has dropped to less than three. Declining competition in construction public procurement is greater than the decline observed at the level of all public procurement.

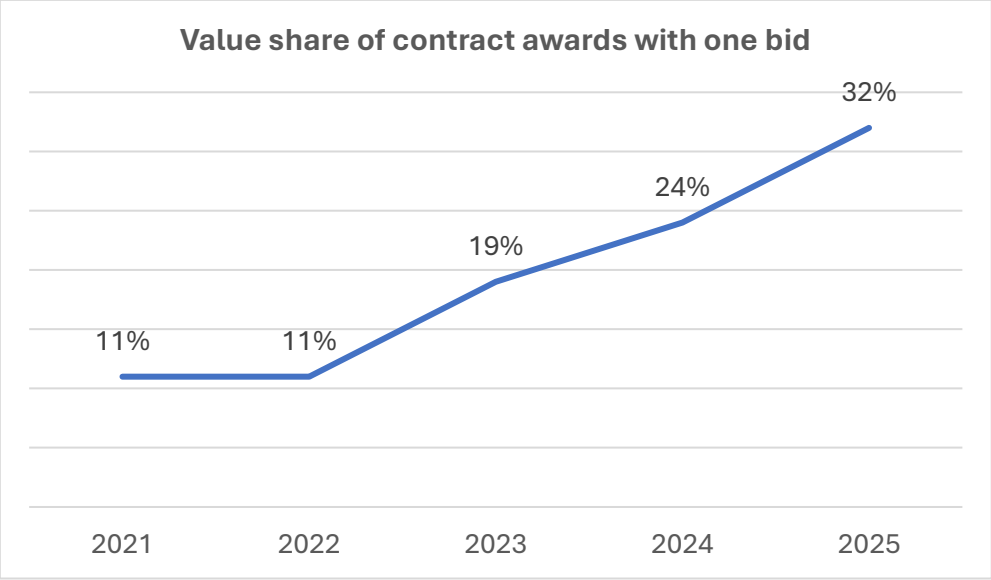


The drop from four or five to less than three bids per tender procedures does not mean that companies have disappeared from the market. More often than not it means they no longer participate in tender procedures believing that the tender outcome is known in advance and that requirements for tender participation are not defined in a manner that facilitates actual competition. This creates a self-reinforcing circle: fewer bidders means lower competition, and lower competition additionally reduces incentives for tender participation. As a result, the market is concentrated, the pool of future bidders is narrowed and conditions are created for ever declining competition in future tender procedures. In turn, this situation results in higher prices, poorer quality of performance, and greater opportunities for corruption.

At the same time, the low number of bids could be indicative of previous arrangements among bidders such as rotation of winning bids or market division among companies. One recognized indicator of this phenomenon is when companies independently known as the biggest on the market appear as subcontractors for another company, instead of being competitors. Cases like this were observed among tender procedures analysed for the purpose of this research.

- **In the course of five years, the value of contracts awarded under tender procedures without competition has increased by three and a half times, i.e. from 38 million EUR in 2021 to 141 million EUR in 2025. The growth of tender procedures with participation of one bidder signals a greater risk of prior arrangements, adjustment of tender specifications to certain bidders, and predictable tender outcomes.**

In 2021, the value of construction work contracts awarded under tender procedures with participation of only one bidder amounted to 38 million EUR. Year after year, this value is increasing and reached 114 million EUR in 2025. The share of contract awards without competition has increased from 11% in 2021 to high 32% in 2025.



In the period 2021–2025, the cumulative value of contracts awarded under tender procedures presented with only one bid amounted to more than 20 billion MKD, i.e. 325 million EUR.

Competitive pressure that drives prices downfall dissipates in tender procedures with only one bid. These tender procedures systemically end with higher final price than those marked by competition among three or more bidders. When one third of the total value of public procurement is awarded under such procedures, the difference is significant and is transformed into direct budget costs due to smaller scope of construction works received for the money spent. This problem is especially prominent in the Macedonian system of public procurement due to mandatory organization of electronic auctions. Notably, e-auctions should ensure additional price competition among bidders for reduction of initially offered prices under pressure from the competitors. When the tender procedure is presented only with one bid, this pressure is eliminated, whereby the initial price, even when it is higher than the market price, remains the final price under which the contract is signed.

Decreased competition in combination with high number of contract modifications creates a system wherein the public interest is weakened on two fronts: during selection of the most advantageous bid and during contract performance. First, lack of competition reduces the pressure on the contractor to offer the best possible terms and conditions. Then, contract annexes open space for these conditions to be further amended.

- **Some tender procedures define eligibility criteria that evidently narrow the pool of potential bidders. Requirements relating to multiple and specific references needed, high number of precisely defined personnel profiled in advance, enlistment of specific equipment, in-house laboratories, base stations for cement production, and other restrictive conditions could significantly limit competition.**

Instead of ensuring fair and open competition, this method of setting eligibility criteria creates a risk of tender procedures being available only to limited number of companies that dispose with a specific combination of personnel, equipment, references, and in-house production capacity.

The requirements defined in tender documents should facilitate selection of a company that would prove disposal of adequate technical and personnel capacity, experience and knowledge for performance of particular construction project. In that, it is of particular importance for these conditions to be proportionate to the public procurement's scope, value and complexity, to be directly related to the contract's subject matter, and to enable as broader competition as possible.

Setting high, detailed and specific requirements for tender participation, especially when they imply disposal of in-house capacity or high number of narrowly defined references and personnel, might unnecessarily narrow the pool of companies able to submit bids.

Analysis of some large-scope tender procedures show that the contracting authorities have not established a good practice for setting proportionate requirements for tender participation and for stimulating competition. These observations can be illustrated by several comparisons.

The first comparison concerns two tender procedures for reconstruction of streets and raises the question whether eligibility criteria are defined pursuant to the public procurement's subject and scope.

It is a matter of the tender procedure organized by the **Ministry of Transport** for reconstruction of streets in the Municipality of Valandovo, registered under no. 05218/2026, and the tender procedure organized by the **Municipality of Gostivar,** intended as framework agreement for construction, remediation and reconstruction of local streets and roads on its territory, registered under no. 15481/2025.

The Ministry of Transport required bidders to have a B construction license, 40 employees, 3 chartered engineers, and asphalt base station with capacity of 150 tons per hour, located at a distance of maximum 100 kilometres from the site. The Municipality of Gostivar, for the purpose of procuring comparable type of works, required an A construction license for buildings of first category, 90 employees, 9 chartered engineers, asphalt base station with capacity of 240 tons per hour without any limitation in terms of distance, additional base station for production of concrete with an A-integrated environmental permit, as well as three ISO standards.

The Ministry of Transport's procedure was presented with three bids, and the contract was signed with the company for production, trade and services *OSD KIRIL LLC* export-import from Shtip, with subcontractors *GRADBA PROMET* from Kavadarci, *KOLE-TRANS ENGINEERING* from Shtip and *MATEKA ENGINEERING* from Gostivar, in the value of around 1.05 million EUR.

The Municipality of Gostivar, on the other hand, was presented with only one bid, followed by contract award in the value of around 770 thousand EUR with *LENDI GROUP* from Skopje and subcontractors *KOOP ENGINEERING* from Kumanovo, *MN ENGINEERING LABORATORY* from Gostivar and *CONCRETE COMPANY* from Bitola.

This comparison raises a serious issue: how is it possible for comparable type of construction works to be defined under such significant difference of requirements for the economic operator's ability, and how is it possible for the tender procedure of financially smaller scope to have much stricter and more specific requirements.

Furthermore, the analysis of two public procurements for construction and extension of kindergartens, implemented by the **Municipality of Gazi Babi** and **Municipality of Aerodrom,** indicates to significant differences in eligibility criteria for economic operators, although the procurement subjects are comparable in value.

The Municipality of Gazi Baba implemented the tender procedure no. 14742/2025 for construction of kindergarten in Madzari – Triangla and signed the contract with *ZIKOL LLP* from Strumica, in the value of around 2.4 million EUR. The Municipality of Aerodrom, under the tender procedure no. 00193/2024, signed a contract for extension and upgrade of the kindergarten "Izvorche" with *FACTORY KARPOSH* – a joint stock company for design, production and installation of pre-fabricated elements, apartments, industrial facilities, bridges and power lines from Skopje, in the value of around 2.1 million EUR. The difference in contract value is lower than 15 percent.

While the building in Madzari is technically more complex given that it is four-storey building with basement and elevator compared to extension of the ground and first storey at the existing building in Aerodrom, the difference in terms of building complexity does not provide sufficient explanation of all differences observed in terms of the requirements for tender participation.

Both municipality defined the same requirement: the economic operator should demonstrate annual revenue of at least 200 million MKD for each of the last three years.

The Municipality of Aerodrom required the economic operator to have previously performed at least one kindergarten construction in the value above 100 million EUR. This is approximately 76% of the contract value for the kindergarten "Izvorche". In the case of Gazi Baba, this requirement was significantly more restrictive. In addition to two previously constructed kindergartens above a defined value threshold, this municipality also requested three additional references for high-rise construction.

In doing that, the potential bidders needed to demonstrate significantly broader and more specific performance track-record from what could be expected only on the basis of the procurement's value and subject matter.

Both procurement procedures anticipated engagement of 150 persons each, but the manner in which qualified personnel was specified is essentially different. In the case of Aerodrom, tender documents enlisted several positions – four types of engineers and two experts. On the contrary, Gazi Baba enlisted as many as 98 specific profiles, among which 19 chartered engineers and 79 craftsmen, including 30 carpenters and 10 rod busters.

The most important risk of limiting competition appears under the requirements related to economic operators' in-house capacity.

The Municipality of Aerodrom required the bidder to dispose with an accredited laboratory for testing construction materials. Gazi Baba, on the other hand, required in-house geotechnical laboratory, as well as base station for concrete production, with an integrated environmental permit.

Especially indicative is the fact that both tender procedures were presented with only one bid each. In its own right, this does not prove that requirements were unjustifiably restrictive, but is an important signal that the manner in which eligibility criteria are defined should be thoroughly re-examined.

Hence the need for detailed review of the manner in which contracting authorities define requirements for the economic operator's ability, especially in terms of their proportionality, necessity, and relation to the procurement subject.

The purpose of tender requirements is not mapping of a particular combination of references, personnel, equipment and in-house capacity of the favoured company, but to ensure actual competition among companies that can demonstrate necessary capacity for quality and timely contract performance.

When eligibility criteria are defined more narrowly than what is objectively needed for performance of the procurement subject, the result is not only lower number of bids. Lower competition could also mean narrow selection for the contracting authority, weaker price competition, and risk of ineffective public spending.

- **In addition to requirements for the economic operator's ability, competition is also limited by the manner in which contracting authorities set the contract award criteria. Under the last amendments to the Law on Public Procurement (November 2026), use of the criterion "price and quality" should be increased, whereby the manner in which the "quality" element is defined and applied would gain much greater significance.**

Some contracting authorities do not clearly distinguish between eligibility criteria and contract award criteria. Eligibility criteria are aimed at establishing whether the economic operator meets the minimum requirements to be able to perform the contract. Award criteria, however, should ensure comparison of acceptable bids and demonstrate which bid offers the best value for the contract's subject matter.

A problem emerges when elements that should be used to demonstrate the economic operator's ability are again used for bid-evaluation, i.e. allocation of points. For example, when the number and value of previously performed contracts is defined as requirement for tender participation, and then the same or essentially the same element is also used to award points for the "quality" element, the economic operator's experience is valued twice. In doing that, the advantage acquired during the eligibility phase is just transferred to the bid-ranking phase, instead of assessing the bid's quality.

This distinction is also important in terms of European practices. In the Lianakis case (C-532/06), the Court of Justice the European Union held that the eligibility criteria for bidders should not be used as contract award criteria. The Directive 2014/24/EU later enabled due consideration of personnel qualifications and experience for contract performance, but only when that is relevant for the quality of contract performance. Hence, not all experience of the economic operator or its personnel automatically constitutes an element of the bid's quality.

Analysis of tender procedures implemented in the last several years shows that, in the practice, the "quality" criterion in most cases was not defined to assess the bid's quality, but as additional ranking of the bidder's previous experience. Most often, the quality element is defined as the number of previously signed and performed contracts. Such is, for example, the case with the tender procedure organized by the Pension and Disability Insurance Fund of North Macedonia under no. 03082/2023 for construction and craftsman works at a retirement home in Chair, in estimated value of 8,000,000 MKD, VAT excluded. From the total of 100 points, 80 are designated for the price element and 20 for the quality element. However, the quality element did not concern the bid, but rather the economic operator's experience in public building reconstruction. All 20 points are allocated for submission of at least one confirmation on satisfactory contract performance. Hence, the quality element actually

becomes a yes/no type of requirement and carries one fifth of all points. It does not reveal anything about how the bidder will perform the construction works.

This reveals a crucial problem: the number of previously performed contracts does not show what value is offered by the economic operator for the specific contract in question. When this element is used for allocation of high number of points, the quality criterion actually becomes a mechanism for favouring operators with extensive previous experience, instead of an instrument for comparing the quality of individual bids.

Recently, some improvements are noted in this regard, but the problem is not fully eliminated. A significant number of cases still reduce the "quality" element to personnel's experience. While the personnel's experience could be relevant when their work has significant impact on the quality of contract performance, automatic allocation of points to this element, in its own right, does not ensure assessment of the bid's quality. In the case of construction works, the quality of performance is more dependent on several mutually-related factors: proposed methodology of performance, arrangement of the construction site, dynamics of the works, quality assurance plan, risk management and other measurable aspects related to the procurement subject.

Another particular problem is use of construction deadline as quality element, especially when later the contracting authority allows this deadline to be extended. In such cases, the criterion that affected the selection of the most advantageous bid could lose its practical value during contract performance.

Such an example is seen in the tender procedure organized by PHI University Clinic of Urology – Skopje (procurement notice no. 06884/2026) for project design, reconstruction, renovation and readaptation of the transplant centre and ESVL centre, based on the turnkey principle. The tender was organized as an open procedure and used the selection criterion "best price and quality ratio". In that, the price accounted for maximum of 70 points, while construction deadline accounted for 30 points: expressed in months for part 1 and expressed in days for part 2. Hence, the deadline accounted for almost one-third of the overall bid-ranking process. The contract was signed in the amount of 32,686,000 MKD, VAT included, i.e. 531,480 EUR. In this case, the crucial issue is whether the criterion on the basis of which the bid gained advantage in the procedure would remain relevant and binding during the performance stage, i.e. whether the project will be performed within a deadline of 9 months from obtaining the construction permit.

Having in mind that cases like this are not isolated, there is a need for a more systemic analysis of public procurements that have used the "price and quality" criterion, especially those where the lowest price bid was not selected due to points received for the quality element. Such an analysis should determine what was exactly assessed as "quality", whether that element was different from the eligibility criteria, what was its effect on the final selection decision, and whether the selected bidder truly delivered on the aspects that earned additional points. Only in that manner it could be established whether the price and quality criterion truly ensures selection of the bid marked by better quality or it is only a matter of additional mechanism used to limit competition and favour certain companies.

- **In the last five years, 10 construction companies have been awarded contracts worth around half a billion EUR, which is almost one third of the total value of all construction work tenders.**

In the last five years, a total of 976 companies appear as holders of construction work contracts. However, the greatest business share belongs to a small group of companies. According to the number of contracts, the top position is held by *KOLE-TRANS ENGINEERING* from Shtip with 186 contracts in the last five years, followed by *GRADBA PROMET* from Kavadarci with 183 contracts, *EVROGRADBA ENGINEERING* from v. Vladievci with 155 contracts, *LENDI GROUP* from Skopje with 120, and *STENTON GRADBA* with 119 public procurement contracts.

However, the image is changed when viewed from the perspective of contract value. Top positions are held by *STENTON GRADBA* from Bitola, *ZHIKOL* from Strumica, *ILINDEN* from Struga, etc.

Top 10 companies with highest value public procurement contracts (2021 – 2025)

Company	Number of contracts	Value of contracts (in million EUR)	Share in total value of public procurements	Number of CA with which they have signed contracts
STENTON GRADBA, Bitola	119	121.2	7.77%	34
ZHIKOL, Strumica	68	68.5	4.39%	28
ILINDEN JSC, Struga	59	64.7	4.15%	8
GRANIT JSC, Skopje	13	55.6	3.57%	7
BAUER BG, Skopje	30	33.5	2.15%	19
JU-BAJ 2, Skopje	35	33.3	2,14%	8
BITEM, Skopje	84	33.1	2.12%	33
NB-COMPANY, Tetovo	14	27.1	1.74%	6
LENDI GROUP, Skopje	120	26.2	1.68%	46
ZOBEK MINING, Skopje	5	25.1	1.61%	1

It turns out that only 10 companies have been awarded contracts in cumulative value of 488 million EUR, which represents 31% of the total value of construction work contracts**.**

At the top of the list is *STENTON GRADBA* from Bitola which, over the period of five years, was awarded 119 contracts worth 7.45 billion MKD, i.e. 121.2 million EUR. This company accounts for a share of 7.77% in the total value of construction work contracts in the country awarded under public procurement.

Next is *ZHIKOL* from Strumica, with 68 contracts in cumulative value of 4.21 billion MKD, i.e. 68.5 million EUR, accounting for 4.39% of the total value. The third-ranking position is held by

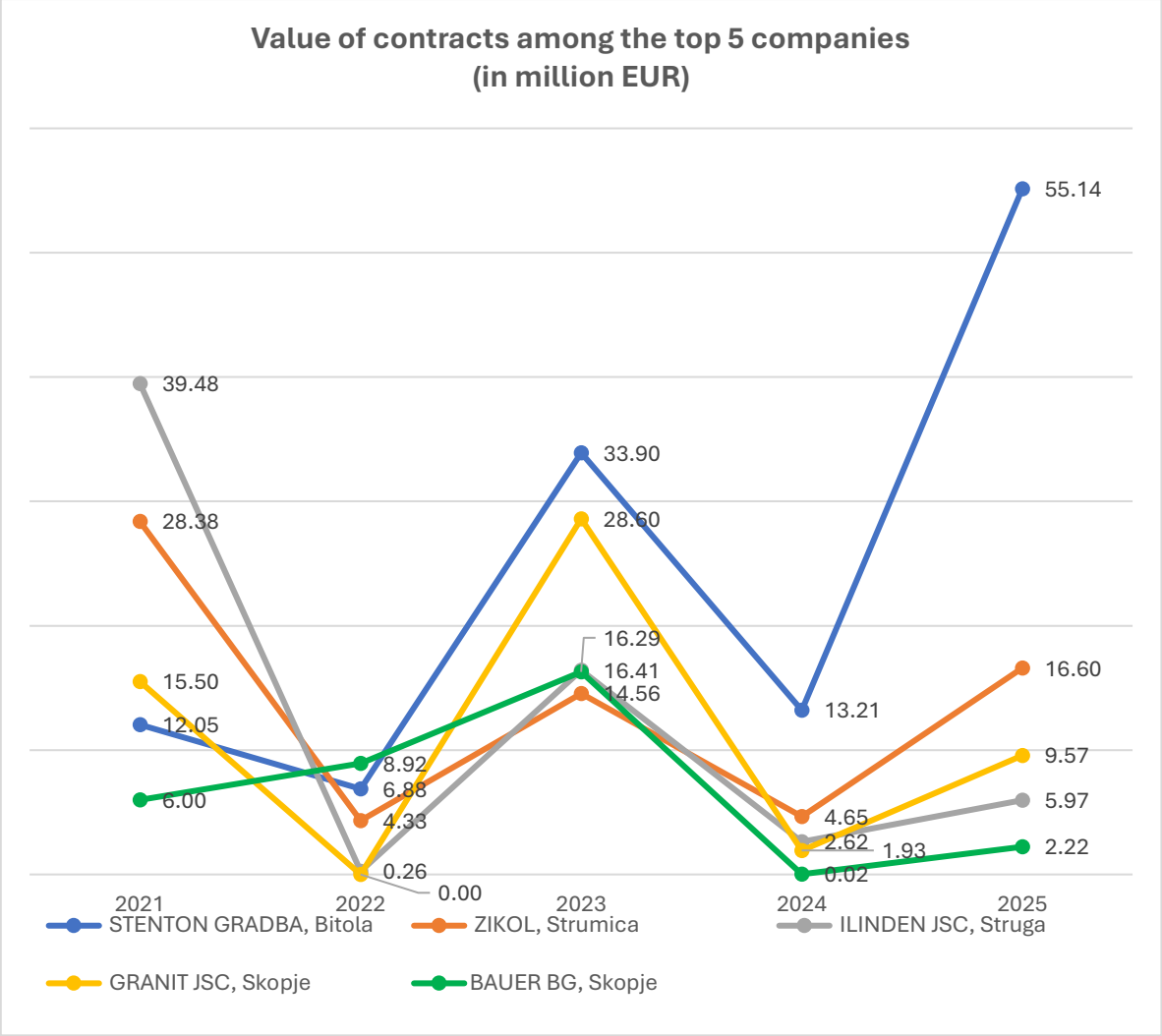
ILINDEN JSC from Struga, with 59 contracts worth 3.98 billion MKD or 64.7 million EUR, i.e. 4.15% of the total value**.**

The list of top 10 companies with highest value contracts also includes *GRANIT JSC* - Skopje with 55.6 million EUR (3.57%)**,** *BAUER BG* - Skopje with 33.5 million EUR (2.15**%**), JU-BAJ 2 with 33.3 million EUR (2.14%), *BITEM* - Skopje with 33.1 million EUR (2.12**%**), *NB-COMPANY* - Tetovo with 27.1 million EUR (1.74%), *LENDI GROUP* - Skopje with 26.2 million EUR (1.68%) and *ZOBEK MINING* - Skopje with 25.1 million EUR (1.61%)**.**

Hence, only the top three companies have concentrated 16.31% of the total value of construction work contracts, while the top 10 together account for around 31%**.**

This shows that while hundreds of companies participate in public procurement for construction works, the value of contracts is significantly more concentrated with a small number of them. Among 976 companies that are awarded contracts, only 10 have managed to secure around one third of the entire public construction business in the analysed period.

The concentration is more impressionable in terms of highest value contracts: one company alone was awarded almost 8% of the total value of construction work contracts, while the first three together – more than one sixth of the entire market.



Among the companies with highest value contracts, *STENTON GRADBA* from Bitola is the only one with a clear upward line and contract value growth from 12 million EUR in 2021 to 55 million EUR in 2025. All other companies from the top 5 are marked by a decline in contract value. More specifically, in 2021 *ZHIKOL* from Strumica was awarded contracts in the value of 28.4 million EUR compared to 16.5 million EUR in 2025. The value of contracts awarded to *ILINDEN JSC* from Struga was reduced from 39.5 to 6 million EUR. In 2021, *GRANIT JSC* from Skopje was awarded contracts in the value of 15.5 million EUR, but in 2025 this value amounted to 9.6 million EUR. *BAUER BG* is marked by a drop in contract value from 6 to 2.2 million EUR.

- **In the case of many contracting authorities, the biggest portion of funds are distributed among a handful of companies. Hence, in the case of the University "Mother Teresa", one contract with *STENTON GRADBA* accounts for 96% of the total value of construction work tenders in the five-year period; in the case of the Directorate for Technological Industrial Development Zones, two companies account for a share of 81%; in the case of ESM, four companies cover more than 80% of the total value; and in the case of the Public Enterprise for State Roads, two companies have a share of 61% in the total value of construction work contracts.**

Such concentration raises a red flag and necessitates additional review of public procurement competition levels, and of the method for contract award and contract performance.

According to the red flags used by the Bureau of Public Procurement, such concentration should be reviewed in the context of declined competition, favouritism of certain economic operators, disloyal competition or limited competition in specific sectors and business activities.

As regards the contracting authorities with the highest total value of construction work tenders in the period 2021–2025, in most cases a significant portion of funds are concentrated with a small number of companies.

Public Enterprise for State Roads: total value of public procurement in the period 2021–2025 amounts to 149 million EUR

In the case of contracts awarded by PESR, the highest share is observed with *ILINDEN JSC* from Struga, accounting for 36.2% of the total value of contracts, i.e. 53.8 million EUR, and 6 contracts signed. Next is *GRANIT*, with a share of 24.8%, i.e. 37 million EUR and 6 contracts signed. In the case of *ILINDEN JSC* from Struga, PESR-awarded contracts account for 83% of this company's total value of public procurement in the five-year period, and in the case of *GRANIT*, this share stands at 66.5%.

Directorate for Technological Industrial Development Zones: total value of public procurement in the period 2021–2025 amounts to 69.8 million EUR

In the case of DTIDZ, *STENTON GRADBA* has a share of 45.2%, i.e. 31.5 million EUR, with only 2 contracts awarded. *ZOBEK-MINING GROUP* has a share of 35.9%, i.e. 25.1 million EUR for 5 contracts. A particular deviation is observed with *ZOBEK-MINING GROUP* where its entire five-year value of public procurement comes only from this contracting authority. In the case of *STENTON GRADBA*, DTIDZ-awarded contracts account for 26% of its total value of public procurement contracts won in the analysed five-year period.

Power Plants of North Macedonia (ESM): total value of public procurement in the period 2021–2025 amounts to 63.4 million EUR

In the case of ESM, four companies account for a joint share of more than 80.0% of the total value of analysed contracts. MARKOVSKI COMPANY BORCHE has an individual share of 37.4%, i.e. 23.7 million EUR over 2 contracts. *GRANIT* has a share of 20.7% (13.1 million EUR over 1 contract), *MASHINOKOP GROUP* – 12.1% (7.7 million EUR over 1 contract), and *LT ENGINEERING* – 10.9% (6.9 million EUR over 2 contracts). In the case of *GRANIT*, ESM-awarded contracts account for 23.6% of its total five-year value of public procurement contracts.

City of Skopje: total value of public procurement in the period 2021–2025 amounts to 58.5 million EUR

In the case of the City of Skopje, the highest company share is noted with *ZHIKOL* – 33.3%, i.e. 19.5 million EUR over 1 contract. Next are *BAUER BG* with 16.5% (9.7 million EUR over 5 contracts), JU-BAJ 2 with 13.6% (8.0 million EUR over 4 contracts), and *VATO* - 11.8% (6.9 million EUR over 2 contracts). In the case of *ZHIKOL*, contracts awarded by the City of Skopje

account for 28.5% of its five-year value of public procurement contracts, while in the case of *BAUER BG* this share is 28.9% and JU-BAJ 2 – 23.9%.

Ministry of Education and Science: total value of public procurement in the period 2021–2025 amounts to 47.6 million EUR

In the case of MES, four companies cover more than half of the total value of public procurement contracts. *HILDIN KOMERC* has a share of 16.8% (8.0 million EUR over 15 contracts), *IZGRADBA KOMERC* – 15.4% (7.3 million EUR over 7 contracts), *HODZA ENGINEERING* – 11.7% (5.6 million EUR over 1 contract), and *NET INVEST GROUP* – 11.4% (5.4 million EUR over 6 contracts).

University "Mother Teresa": total value of public procurement for the period 2021–2025 amounts to 42.2 million EUR

The most prominent example of concentration is seen with the University "Mother Teresa", where *STENTON GRADBA* accounts for a share of 96% in the total value of public procurement contracts, i.e. 40.4 million EUR and only 1 contract. At the same time, this contract represents 33.4% of the company's total five-year value of public procurement contracts.

Municipality of Gazi Baba: total value of public procurement in the period 2021–2025 amounts to 38.5 million EUR

In the case of the Municipality of Gazi Baba, four companies have a share of at least 13%. *VARDARGRADBA* has a share of 15.7% (6 million EUR over 12 contracts), *ZHIKOL* – 14.4% (5.5 million EUR over 8 contracts), *IZOLACIJA* - 14% (5.4 million EUR over 21 contracts), and *PYRAMID BUILDING* - 14% (5.4 million EUR over 1 contract).

PE for Maintenance and Protection of National and Regional Roads: total value of public procurement in the period 2021–2025 amounts to 35.4 million EUR

Companies with high value contracts signed with this public enterprise include *ILINDEN JSC* with 20% (7.1 million EUR over 1 contract) and *PELAGONIJA* with 19% (6.7 million EUR over 1 contract).

Municipality of Bitola: total value of public procurement in the period 2021–2025 amounts to 32.5 million EUR

In the case of the Municipality of Bitola, *STENTON GRADBA* has a share of 29.7%, i.e. 9.6 million EUr over 36 contracts. Next are *KJP NISKOGRADBA* with 13.5% (4.4 million EUR over 86 contracts) and *BV ENGINEERING* with 10.7% (3.5 million EUR over 18 contracts).

The Ministry of Environment and Spatial Planning: total value of public procurement in the period 2021–2025 amounts to 30.3 million EUR

In the case MESP, three companies together have a share of 44.7% in the total value of public procurement contracts. *KONSTRUKTOR* has a share of 17.6% (5.3 million EUR over 2 contracts), *JU-BAJ 2* – 15.1% (4.6 million EUR over 3 contracts), and *EAKON* - 12% (3.6 million EUR over 3 contracts).

Data show that in the case of most contracting authorities there is significant concentration of public funds with a limited number of economic operators. A particular deviation is observed in

cases where one operator has a dominant share, as is the example of the University "Mother Teresa" where one contract accounts for 96% of the total value of public procurement, as well as the cases of PESR, DTIDZ, ESM and the City of Skopje, where a significant share of public funds is concentrated with a handful of companies.

In its own right, concentration of contract value is not a proof of corruption. However, it is a significant risk indicator for favouritism and limiting competition, especially when combined with low number of bidders, repetitive selection of one and the same companies and a contracting authority's high dependence on certain economic operator.

In terms of corruption risk, particularly significant are situations where limited competition is transformed into repetitive scheme of public funds award to same companies. Such circumstances create space for discretionary decision-making and enhance the risk of favouritism, especially when there are additional indications about limiting conditions for tender participation, non-transparent criteria or unjustifiable repetition of same companies appearing as winning bidders.

On that account, the identified cases should be subject to additional review of relevant procurement procedures, including the number and structure of bidders, requirements for tender participation, selection criteria, justification of the selection decision, possible appeal proceedings, contract amendments, as well as possible ownership or business relations among economic operators.

In particular, efforts are needed to examine the credibility of expert personnel offered and equipment disposed by economic operators that are concurrently performing several construction work contracts. Such review should establish whether the same personnel and the same equipment are enlisted in bids for contracts with overlapping performance timelines and whether they have been actually employed in contract performance.
Consequently, concentration should be treated as red flag that shows where there is higher risk of favouritism, limiting competition and corruptive influences, and which procedures require additional reviews.

- **Supervision over construction works is highly concentrated with a small number of companies. Only 10 companies cover 91% of the total value of these contracts, and only two of them account for a share of more than 61%. Concentration is especially risky because these companies perform control over contractors and certify completion of works. When a limited number of companies perform supervision over a significant portion of public construction works, there is increased risk of dependence, conflict of interests, and insufficiently independent control.**

In the case of construction work contracts, the contracting authorities are obliged to engage a supervision company under a separate public procurement procedure for services. These are a special category of contracts, different from the 9,335 construction work contracts that serve as basis for this research, but are directly related to them: without supervision, there are no certified situations or payments, and there is no establishment of deviations from the contract.

Contracts signed for supervision over construction works in the period 2021–2025

Year	Number of contracts	Value of the contracts (MKD)	Value of the contracts (EUR)
2021	256	905,045,677	14,716,190
2022	220	295,032,197	4,797,271
2023	240	2,023,075,902	32,895,543
2024	242	268,386,275	4,364,004
2025	243	791,275,718	12,866,272
Total	1,201	4,282,815,769	69,639,281

Around 90 companies appear as holders of 1,201 contracts signed for supervision over construction works in the analysed five-year period, with a cumulative contract value of 4.3 billion MKD (70 million EUR). However, distribution of contracts and contract value is extremely concentrated. Only 10 companies have been awarded a total of 642 contracts, i.e. slightly more than half of all supervision contracts, but they account for around 3.9 billion MKD (63 million EUR), i.e. 91% of the total contract value.

Top 10 suppliers according to their total contract value

Company	Number of contracts	Total contract value (MKD)	Total contract value (EUR)	Share
IRD ENGINEERING Srl	2	1,625,100,807	26,424,403	37,95%
Construction Institute MAKEDONIJA JSC – Skopje	14	1,000,301,172	16,265,060	23,36%
GEING LLP – Skopje	16	348,461,557	5,666,042	8.14%
EURO CONSULTING LLP – Skopje	62	211,935,387	3,446,104	4.95%
MG PROJECT LLC – Skopje	319	206,509,070	3,357,871	4.82%
EOC E.E LLP – Skopje	30	143,939,874	2,340,486	3.36%
DIVI MACEDONIA LLC – Skopje	11	109,032,095	1,772,880	2.55%
INSTITUTE FOR ROADS LLC – Veles	4	105,245,852	1,711,315	2.46%
MBM ARCHITECTS LLC – Skopje	65	81,557,108	1,326,132	1.90%
Institute for Examination of Materials (ZIM) JSC – Skopje	118	55,673,941	905,267	1.30%

The concentration is particularly prominent at the top of the list. Only two companies, i.e. the Italian *IRD ENGINEERING* and the Construction Institute *MAKEDONIJA* have a joint share of more than 61% in the total value of analysed contracts. *IRD ENGINEERING*'s entire amount

comes from the biggest individual contract for supervision and legal counselling for construction of Corridor VIII and Corridor X-d, in the value of 1.62 billion MKD.

A completely different situation is observed with *MG PROJECT LLC* from Skopje, which has signed the highest number of contracts - 319. More specifically, this company accounts for around 26.6% of all contracts signed, i.e. approximately every fourth supervision contract. Nevertheless, the total value of all contracts amounts to 206.5 million MKD, i.e. it accounts for 4.82% of the supervision market as a whole.

Having in mind that the contract for construction of Corridors VIII and X-d was signed outside the realm of the Law on Public Procurement and its value is featured in ESPP data, the same could also be done in respect to the supervision contract for Corridor VIII and Corridor X-d. Without this contract, the value of supervision contracts amounts to around 44 million EUR. When correlated to the total value of construction work contracts in the same period – 1.56 billion EUR, it could be inferred that, on average, supervision accounts for 2.8% of the value of construction work contracts.

Part of the justification for this concentration lies in the manner in which supervision companies are selected. Unlike construction works where contracting authorities often use lowest price as the selection criterion, use of the criterion defined as the economically most advantageous bid (price and quality) is mandatory for procurement of project design and supervision services. In the experts' opinion, this is the source of one of the key mechanisms that aggravate this problem.

For long period of time, the contracting authorities assessed quality by allocating points to the bidder's references, i.e. the number and value of previously completed contracts. This approach is wrong because references are used to determine the bidder's ability, not to rank the bids. In the recent period, the contracting authorities have moved to allocation of points to experience of personnel engaged. This is legally right, but the practice shows frequent application of an erroneous methodology, characterized by shortcomings in the manner the criteria are defined and the points are allocated.

The result is the same in both cases: the companies that already have higher number of contracts signed and, consequently, have more references and personnel with documented experience, are allocated the highest number of points under each new tender procedure. Hence, each new contract increases their advantage for the next tender procedure, resulting in a self-reinforcing concentration. If the draft amendments to the law do not address this problem, there is a risk for the situation to deteriorate further.

This is confirmed by official data. In the section on bidders with highest number of contracts signed where selection is based on the price/quality criterion, recent annual reports published by the Bureau of Public Procurement the top positions are predominantly occupied by companies performing project design and supervision.

Concentration of supervision contracts implies a specific risk, especially knowing that supervision also carries a control function. When a small number of companies supervise the

biggest part of public construction works, they repeatedly encounter the same contractors and the same contracting authorities, thus enhancing the risk of conflict of interests and the risk of pre-arranged certification of non-performed or poorly performed works.

- **A significantly higher value of construction work tenders is noted in the election years, especially the years when local elections take place. Concentration of construction work contracts in the wake of elections carries a risk of abuse of public resources for electoral purposes.**

In the period 2021–2025, public procurement for construction works show deviations closely related to the election cycles. In the analysed years, the highest value of such contracts was recorded in 2025, i.e. the year of local elections. The value of construction work contracts amounted to 434 million EUR, accounting for an increase by 163 million EUR, i.e. by 60% compared to 2024. A similar situation was observed in 2021, another year of local elections. In that case, the value of construction work contracts amounted to around 345 million EUR, representing an increase by 88% compared to 2020.

Having in mind that 2020 was affected by the covid pandemics, the elections' impact on public procurement could be objectively seen in the fact that the value of construction work contracts in the next, non-electoral year (2022), was halved.

The effect of the parliamentary and presidential elections in 2024 is best represented by the period when construction work contracts were signed. 50% of the total value of these contracts were signed in the first four months of the year, i.e. in the wake of April and May elections. Such or similar share in the first four months is not observed in any other year from the analysed period.

Pre-election increase and concentration of construction work tenders should be subject of enhanced monitoring and review.

Concentration of construction work contracts before an election cycle brings about the risk of abuse of public resources for electoral purposes. The visible infrastructure projects are used for political promotion, and the haste to sign these contracts before the election day reduces care and attention that should be paid to public procurement preparations and review. When the same companies are awarded contracts in the pre-election period, due effort is needed to check whether there are any connections between them and political party donors, on the basis of publicly available financial reports.