

OECD Public Governance Reviews

Enhancing the Public Procurement Performance Measurement Framework in Hungary

ASSESSING EFFICIENCY, COMPLIANCE
AND STRATEGIC OBJECTIVES



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Note by the Republic of Türkiye

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Foreword

Public procurement is a key economic activity accounting for a significant share of GDP (16% of GDP in Hungary and 12.9% of GDP in 2021 in OECD countries). As public procurement was considered as an administrative task for many years, the need to measure its performance was not a top priority for governments.

However, in the recent years, governments have been increasingly recognising the strategic role of public procurement for public service delivery and for obtaining broader outcomes. In addition, the pressure on public spending, as well as the need for more accountability, for monitoring the achievement of public policies, and for better managing public procurement risks, all make the need for better measurement in this area more urgent.

Performance evaluation is usually conducted by defining key performance indicators (KPIs) that are monitored over time. While the relevance of measuring performance is clearly recognised, practice often lags behind. Considering that “what countries measure is a signal of what they value”, the OECD has developed in 2023 a comprehensive, ready-to-use performance measurement framework for consistently assessing procurement processes and supporting data-based policy and decision making in the public procurement field launched in 2023.

Several OECD and non-OECD countries are already using the OECD public procurement performance measurement framework to establish their own frameworks. The Hungarian government committed, in its Recovery and Resilience Plan and within the conditionality procedure for European Union funds, to set up a comprehensive measurement framework to regularly assess the performance of the public procurement system and to analyse the reasons behind low levels of competition in certain sectors. While the government developed such a framework, it requested the support of the OECD in two main areas: i) assessing the public procurement measurement framework developed in November 2022 and providing key recommendations for its improvement, and ii) improving the level of competition in the public procurement market. Therefore, this report is one of the outputs of a wider cooperation with the Hungarian government on public procurement.

Assessing a public procurement measurement framework goes beyond simply assessing individual KPIs, it looks at key elements of the governance of a public procurement system from public procurement challenges to the digitalisation of public procurement processes.

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The engagement and consultation with key stakeholders of the public procurement system in Hungary were critical for the successful completion of this review.

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Executive summary

Public procurement measurement frameworks are essential to assess progress and achievements periodically and consistently and identify gaps in progress against objectives and targets. In Hungary, where public procurement represents 16% of GDP in 2021, no comprehensive public procurement measurement framework was in place before 2022.

The Hungarian government committed, in its Recovery and Resilience Plan and within the conditionality procedure for EU funds, to set up a comprehensive measurement framework to regularly assess the performance of the public procurement system and to analyse the reasons behind low levels of competition in certain sectors. The development and implementation of this framework, which was inspired by the OECD comprehensive measurement framework, was subject to Government Decision 1425/2022 (5. IX.) published in September 2022, and its results for 2019-2022 were published in February 2023. The measurement framework developed by Hungary includes 77 indicators and 57 sub-indicators and goes beyond the areas foreseen in the government decision and the commitment made to the European Commission.

Additionally, the Hungarian government requested the support of the OECD to assess the developed framework and to provide key recommendations to enhance it, given the Organisation's work on the measurement of the procurement function. This report provides an assessment of the Hungarian public procurement measurement framework by i) exploring key aspects to consider for the development of the framework: ii) providing a detailed assessment of the indicators included in the framework and suggesting additional ones; and iii) discussing the communication of the results of the framework, as well as a proposed timeline for implementing the recommendations.

Key findings and recommendations

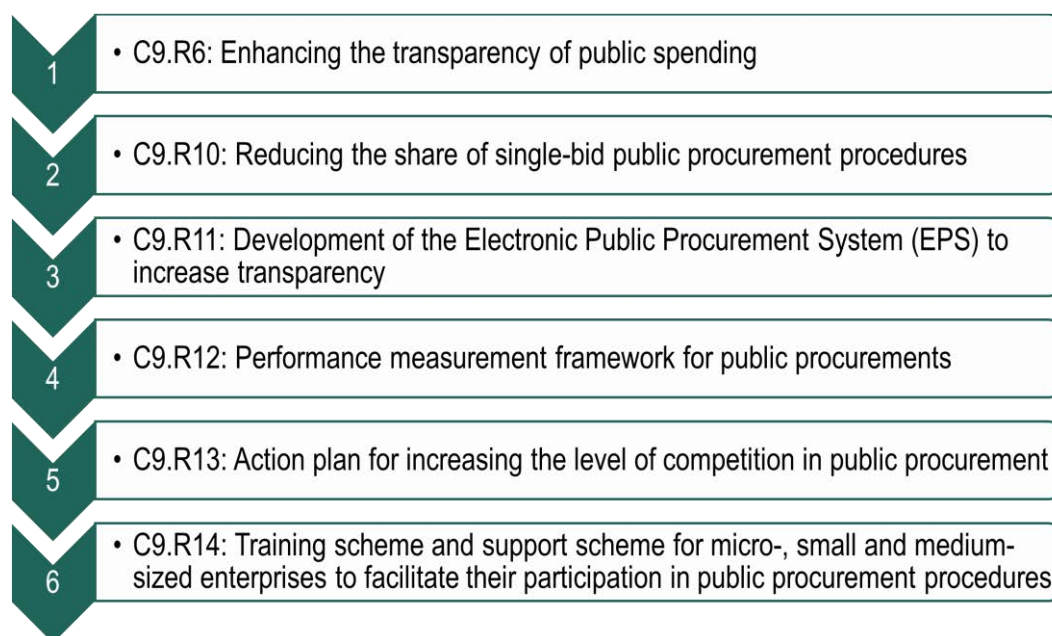
- Going beyond its initial objective, the Hungarian measurement framework for public procurement covers key aspects of the procurement system, including compliance issues (e.g. legal compliance and the remedies system), efficiency issues (e.g. competition, capacity and centralisation), and the use of public procurement as a strategic tool for achieving wider policy objectives, such as the green transition and social inclusion. The framework could be further improved by integrating indicators focusing on integrity and monitoring/oversight of the public procurement system.
- The Government Decision established a working group to consult with experts and independent non-governmental organisations active in the field of public procurement. While the collaboration with the working group brought significant benefits to the development process, more stakeholders within and outside the public sector (beyond the working group) could be involved in the development and analysis of the procurement measurement framework.
- The different indicators of the public procurement measurement framework are based on 3 types of data sources: i) the national e-procurement system, known as EKR (39% of indicators), ii) data provided directly by relevant stakeholders (42.8%) and iii) surveys targeting relevant stakeholders (contracting authorities, economic operators, public procurement experts and central purchasing bodies- CPBs).

- On EKR, while the quality of the data has improved, there are still issues related to the manual entry of information by contracting authorities or economic operators. Therefore, the Prime Minister's Office and the Public Procurement Authority should raise awareness among contracting authorities of the importance of ensuring the quality of data entered manually. Furthermore, in line with EU legislation, Hungary had to implement eForms, which is a new data standard expected to improve the availability, quality and (re)usability of procurement data (TED data) at EU level. The implementation of eForms is key for data collection and thus for the access and reliability of data.
- Stakeholders, including the Public Procurement Arbitration Board (PPAB) and CPBs, directly provided data to the PMO for the calculation of some indicators. While EKR, CPBs systems and the PPAB system could remain independent, their integration could contribute to enhancing the efficiency of the monitoring of the public procurement system.
- Given the unavailability of some data, two surveys were launched as part of the measurement framework of Hungary. One targeted economic operators, contracting authorities and public procurement experts (covering 14.3% of indicators), and another targeted CPBs (covering 28.6 % of indicators). Some issues were identified with these surveys such as survey design and the relatively low number of respondents. To enhance the efficiency of surveys, it is key to improve the design, the number of respondents, and to consider the frequency of launching surveys.
- While the establishment of the Hungarian public procurement performance measurement framework already represents an achievement, some indicators could be improved, either in terms of their scope, the methodology or the possibility of providing sub-indicators to provide a better understanding of the system in line with policy priorities.
- The implementation of a performance indicator requires ensuring that different users and stakeholders of the public procurement system understand its aim and the relevance. The Hungarian framework does not provide such information for all indicators. Therefore, the framework could benefit from adding a detailed methodology for calculating each indicator and sub-indicator as well as the reason for focusing on certain sub-categories or for choosing certain indicators.
- As for possible additional indicators, the framework could be improved by providing, in addition to integrity and monitoring/oversight indicators, i) general data on the main breakdowns envisaged in indicators to understand their relevance; ii) indicators on "values" of public procurement spent (not only in numbers of procedures); iii) indicators to assess the level of competition; and iv) indicators on strategic procurement (considering data availability).
- In terms of communicating the results of the framework, the annual report on the performance of the public procurement system could recall the indicators and sub-indicators and provide their results in a more consistent way and improve the analysis of the results. Furthermore, given that the framework is supposed to help identify areas requiring further policy action, the government could identify the necessary actions in the report and mention them in relevant governmental documents (when these actions fall under its remit).
- To disseminate and promote the results of the annual report, the government could use channels such as relevant websites and the Public Procurement Authority mobile application.

1 The procurement measurement framework: a strong commitment of the Hungarian government

Since the COVID-19 pandemic, each European Union country has developed a Recovery and Resilience Plan (RRP) to build a more resilient economy and society. RRP include reforms and investments for countries to implement by 2026 (European Commission, 2022^[1]). Hungary's national RRP was formally approved by the Council in December 2022. In it, Hungary committed to implement several reforms to improve the performance of the Hungarian public administration. Six of these reform measures are related to improving the public procurement system, which represents 16% of GDP in Hungary in 2021, well above the OECD average of 12.9% (OECD, 2023^[2]). These measures are listed in the "Governance and Public Administration" component of the plan (see Figure 1.1).

Figure 1.1. Commitments of Hungary related to public procurement under the RRP



Source: (European Commission, 2022^[1])

Hungary is also subject to the so-called "conditionality procedure", which is a mechanism that allows the European Union (EU) to cut off an EU Member State from receiving EU money if it breaches principles of the rule of law. The Hungarian government committed to take several corrective measures and reforms including the development of a public procurement performance measurement framework "to continuously

monitor and assess the efficiency and cost effectiveness of public procurements in Hungary” (European Commission, 2022^[3]). The development and implementation of the measurement framework was subject to a Government Decision 1425/2022 (5.IX.), which was published on the 5 September 2022 (Hungarian government, 2022^[4]). The committed reform measures under the conditionality procedure for the EU funds were similar to the ones that Hungary committed to implement as part of the RRP implementation. (European Commission, 2022^[1]). All the measures are interlinked and are expected to facilitate access to public procurement procedures and competition in public procurement.

Among these measures, the Hungarian government committed to set up a comprehensive performance measurement framework to regularly assess the performance of the public procurement system and the reasons for and effects of limited competition in the sectors most affected by the low level of competition (European Commission, 2022^[1]). The measure on the performance measurement framework mentions that the framework shall enable in particular:

- the annual analysis of the level of unsuccessful public procurement processes and their reasons; the share of contracts that are entirely cancelled during contract execution;
- the share of occurrence of delays in contract completion; the share of occurrence of cost overruns (including their proportion and volume);
- the share of awarded procurement contracts in which the whole life-cycle or life-cycle costing is explicitly taken into consideration;
- the share of successful participation of micro- and small enterprises in public procurements;
- the value and share of public procurement procedures with single bids financed from national resources and from Union support separately and/or both.

Performance measurement frameworks are needed to assess progress and achievements periodically and consistently and identify potential gaps against objectives and targets (OECD, 2023^[5]). This is particularly relevant for public procurement as it is a key tool to provide public services to citizens and businesses and contributes to strengthening trust in governments. From an economic perspective, it contributes to an efficient and effective management of public resources taking into account the concept of “value for money” that goes beyond economic aspects (OECD, 2023^[5]).

The Hungarian government has developed a performance measurement framework based on a set of indicators that have been selected in late 2022 and inspired by the OECD comprehensive public procurement performance measurement framework (Hungarian Government, 2022^[6]). The framework has been published in the Hungarian eProcurement platform, EKR, on 30 November 2022 and its results for 2019-2022 were published on 28 February 2023 by the Government (Hungarian Government, 2023^[7]). The results of the performance measurement exercise must be published annually in the form of a monitoring report.

This report aims to assess the public procurement performance measurement framework in Hungary (published in November 2022) and provides key recommendations for its improvement. The second chapter explores key aspects to consider for the development of a public procurement measurement framework. The third chapter provides an assessment of the Hungarian performance measurement framework developed by the Hungarian government. Lastly, the fourth chapter focuses on the communication of the results of the framework. Annex B provides the list of recommendations and a suggested timeline for their implementation.

A constant dialogue was established with the Hungarian government throughout the development of the report to enable them to work in parallel in updating the performance measurement framework within the strict deadlines and to take on board the OECD recommendations. The updated framework was published on 22 December 2023.

2 Key aspects to consider in developing a procurement measurement framework

2.1. The objective of the performance measurement framework in Hungary

The *OECD Recommendation on Public Procurement* highlights the need to drive performance improvements by evaluating the effectiveness of the public procurement system, from individual procurements to the system as a whole, at all levels of government, where feasible and appropriate (OECD, 2015^[8]) (see Box 2.1). Measurement frameworks are essential to assess progress and achievements periodically and consistently and identify any gaps in progress against objectives and targets.

Box 2.1. The principle on Evaluation of the OECD Recommendation on Public Procurement

i) Assess periodically and consistently the results of the procurement process.

Public procurement systems should collect consistent, up-to-date and reliable information and use data on prior procurements, particularly regarding price and overall costs, in structuring new needs assessments, as they provide a valuable source of insight and could guide future procurement decisions.

ii) Develop indicators to measure performance, effectiveness and savings of the public procurement system for benchmarking and to support strategic policy making on public procurement.

Source: (OECD, 2015^[8])

In line with international good practices, the measurement framework developed by Hungary aims at:

- Providing a view of the achievement of the public procurement policy objectives set out in the performance measurement framework, through measurable indicators,
- Contributing to the identification of areas that require further policy intervention to achieve the policy objectives, and
- Supporting the objectives of Act XXVII of 2022 on the control of the use of EU budgetary resources.

The development and implementation of the measurement framework was subject to a Government Decision 1425/2022 (5. IX.) (hereinafter "the Government Decision"), which aimed at developing a performance measurement framework to assess the efficiency and cost-effectiveness of public procurement. This government decision that was published on 5 September 2022, tasked the minister in

charge of public procurement policy (the Deputy State Secretariat for Public Procurement Supervision within the Prime Minister's Office, PMO) to develop a measurement framework that covers at least the areas mentioned in Box 2.2 reflecting their commitments vis a vis the European Commission (with a deadline of 30 November 2022).

Box 2.2. Key areas to be covered by the measurement framework based on the Government Decision 1425/2022

1. the level and causes of unsuccessful public procurement procedures,
2. the percentage of contracts (number and value) fully terminated during contract execution,
3. the share of occurrence of delays in contract completion,
4. the share of cost overruns (including the percentage and volume of overruns),
5. the share of awarded public contracts that explicitly take into account whole life cycle or life-cycle costs,
6. the share of successful participation of micro- and small enterprises in public procurement, across sectors and by sector (based on division and group according to the Common Procurement Vocabulary (CPV),
7. the value of tender procedures with single bids, broken down by national and EU-funded procedures and in total, their ratio to the value of all procurement procedures in total, and by national and EU-funded procedures.

Source: (Hungarian government, 2022^[4])

It is worth mentioning that no comprehensive public procurement measurement framework was in place before in Hungary. The measurement framework developed by the PMO goes beyond the areas foreseen in the government decision and its commitment vis a vis the European Commission. This is particularly relevant to highlight given the short time provided to the PMO to prepare and publish the measurement framework.

2.1.1. The measurement framework covers key issues of the procurement system,

Going beyond its initial objective, the measurement framework covers key issues of the procurement system including competition, capacity, the remedies system, centralisation, and the use of public procurement as a strategic lever to achieve wider policy objectives.

In line with the OECD public procurement measurement framework (see Box 2.3), the Hungarian measurement framework includes three main categories of indicators: compliance, efficiency and strategic indicators (OECD, 2022^[9]).

Box 2.3. The OECD public procurement performance measurement framework

In 2023, the OECD published a framework for measuring efficiency, compliance and strategic objectives in public procurement. Given institutional and regulatory differences across countries, the proposed framework is designed to be flexible, customisable, and scalable, depending on the needs of the country or organisation wishing to use it. The measurement framework:

- Assesses the performance of public procurement at three levels, focusing on procurement procedure (tender level, contracting authority level and national level), depending on the existence of data and possibility to aggregate them.
- Identifies three categories of indicators, related to compliance, efficiency and achievement of strategic objectives.
- Covers the whole procurement cycle (from planning to contract management).
- Can be used by different stakeholders (contracting authorities, procurement authorities, central purchasing bodies, etc.).

In total, the OECD framework accounts for 259 indicators and 45 sub-indicators distributed as follows:

Category	Total indicators	Total sub-indicators
Compliance	68	32
Efficiency	128	13
Strategic	63	0
Total	259	45

Source: (OECD, 2023^[51])

The exact areas covered by the Hungarian measurement framework are reflected in the sub-categories (see Table 2.1).

Table 2.1. Areas covered by the public procurement measurement framework of Hungary

Category	Sub-category
Compliance	Legal compliance
	Effectiveness of the remedies
	Transparency
Efficiency	Efficiency of public procurement procedures
	Cost-effectiveness /administrative costs
	Effectiveness of contract performance
	Competition
	Capacity
	Centralisation
Strategic	N/A

Note: The strategic indicators do not include any sub-category.

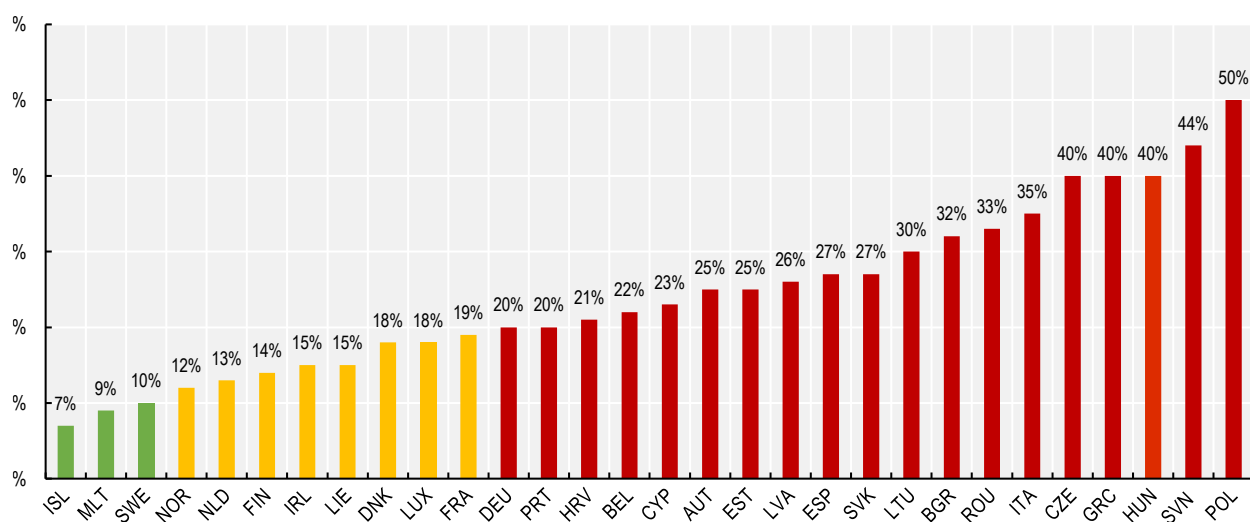
Source: (Hungarian Government, 2022^[51])

This section provides an overview of the challenges covered by the procurement measurement framework, the issues at stake and the recent developments.

Competition issues and more particularly single bids (contracts awarded in procedures where there was just one bidder) triggered the development of the measurement framework. According to different stakeholders met during the fact-finding mission, the procurement market in Hungary remains vulnerable to anticompetitive practices. This issue was also highlighted in the European Commission annual country report (European Commission, 2022^[11]). The proportion of single bid procurement in 2021 based on Tender Electronic Daily Data (TED), which is the online version of the 'Supplement to the Official Journal', remains among the highest in the European Union (see Figure 2.1) (European Commission, 2022^[10]). The PMO performed in 2023 an analysis of the evolution of single bidding for both below and above threshold which shows that this indicator is decreasing in 2022. For above EU thresholds, the rate of single bidding dropped from 39.5% in 2021, to 32.9% in 2022, while for procedures below EU thresholds, the single bidding rate decreased from 22.1% in 2021 to 20.1% in 2022. However, the high number of single-bid procedure is not unique to Hungary. In fact, the EU Single Market Scoreboard relevant indicator shows that there are a number of EU Member States in which contracting entities encounter single bidders in more than one-third of their procedures, such as in Poland, Slovenia, Greece, Czechia, Italy, Romania and Bulgaria (European Commission, 2022^[10]).

The lack of competition can have several impacts on the economy in terms of value for money and on society in terms of trust. Aware of these issues, the Hungarian government has an objective to decrease the rate of single bidding to 15% by 2024 (for both EU and non-EU financed procedures). It also requested the support of the OECD in improving competition in the public procurement market (OECD, forthcoming^[11]).

Figure 2.1. Single bids in EU countries in 2021



Note The colour coding has been defined by the European Commission: Green – satisfactory performance; yellow – average performance; red – unsatisfactory performance.

Source: (European Commission, 2022^[10])

Another key element for trust is the cost of access to the **remedies** system. In Hungary, the Public Procurement Act (hereinafter PPL) establishes the detailed rules for complaints mechanisms in compliance with the EU Remedies Directives. The Public Procurement Arbitration Board (PPAB) is the review body in charge of deciding legal disputes related to public procurement procedures. The PPAB operates in the framework of the Public Procurement Authority (PPA) but acts independently (see Section 2.2.2). The proceeding of the PPAB can be initiated upon application request submitted by those entitled by the PPL

to do so (such as bidders) or ex officio (upon the initiation of bodies and persons specified by the PPL) (Hungarian government, 2021^[12]).

Fees are applicable if the review procedure is initiated upon request. The administrative service fee equals to 0.5% of the estimated value of the procurement, but it is at least HUF 200 000 (approx. EUR 572). The legal framework also establishes a maximum fee of HUF 25°000°000 (approx. EUR 71°444) in the case of public procurement above the EU threshold, and HUF 6 °000°000 (EUR 17°146) in the case of a procurement below the EU threshold) (Hungarian government, 2015^[13]). Various stakeholders, including NGOs in Hungary are repeatedly inviting the government to lower the fees to enable SMEs to afford the review procedure and to enhance participation on the public procurement market (Transparency International, 2018^[14]). The first report of the Hungarian measurement framework also highlights the need to reduce the fees based on response to a survey that was addressed to different stakeholders (Hungarian Government, 2023^[7]). Aware of the need to reduce the level of the remedies fees, the Hungarian government included it as one of the actions to its action plan on reducing single bids (Hungarian Government, 2023^[15]). As such, an amendment to the Public Procurement Act which, among others, revises the fees has been submitted to parliament on 14 November 2023, with the aim of providing easier access to remedies.

Regarding **centralisation**, discussions with several stakeholders highlighted potential issues with the efficiency of the centralisation scheme in Hungary in particular regarding the use of framework agreements and its potential impact on competition and on value for money. The use of central purchasing bodies (CPBs) services takes place outside of the electronic public procurement system (EKR), limiting the availability of data on the exact volume or on the savings achieved and thus on the performance of CPBs (Integrity Authority, 2023^[16]).

In terms of **strategic public procurement**, in its 2021 Monitoring Report to the European Commission, the Hungarian Government also highlighted the low uptake of sustainable public procurement (SPP) in Hungary and mentioned the lack of knowledge and the risk-averse behaviour of contracting authorities as the main obstacles to SPP. This reluctance regarding the use of social and green aspects is more tangible in the case of EU-funded projects due to the strict and overly restricting approach of audits carried out for EU-funded public procurements in terms of the appropriate use of green and social aspects as award criteria or special conditions for the contract performance. As a result, contracting authorities tend to keep their procurement procedure “simple”. In addition, among the contracting authorities persists the misconception that the application of SPP aspects is complicated and contributes to lengthy procedures and increased prices. Public organisations tend to stick to old routines and are very distrustful of new procurement processes. (European Commission, 2021^[17]). As a result, the share of lots with an environmental aspect ranged between 5.4% in 2020 and 8.2% in 2022. Aware of these challenges, in January 2023, the Hungarian government adopted a Green Public Procurement (GPP) Strategy (2022-2027) (Hungarian Government, 2023^[18]). The Strategy encourages contracting authorities to procure goods and services with a reduced environmental impact as widely as possible, in addition to the mandatory cases of applying GPP considerations in public procurement. The Strategy aims at achieving 30% of public procurement procedures with green considerations by 2027. To achieve this goal, the Strategy envisages a set of actions for ensuring that a system of support tools will be developed to enhance the skills and competences needed to conduct GPP effectively and to disseminate good practices. On the other hand, to ensure that the Strategy will deliver the expected impacts, its implementation requires structured monitoring which itself requires data. The Strategy itself foresees a mechanism for the monitoring and reviewing of the strategy implementation. It will be monitored by the Minister responsible for public procurement (PMO at the time of drafting the report) and a report on the implementation of the strategy will be submitted to the Government every three years (first half of 2025 and first half of 2028). Based on EKR data, the PMO will also monitor the evolution of the number and value of green public procurement and their share, as well as the evolution of the share of clean vehicles. The performance measurement framework could support this monitoring and reporting obligation. The PMO also

collaborated with the OECD on a project to enhance the uptake of Life Cycle Costing (LCC) methodology through the development of dedicated tools (OECD, 2022^[19]). These actions and initiative should support an enhanced implementation of GPP, and more generally SPP in the country.

Capacity is key to ensure the well-functioning of the public procurement system. Discussions with several stakeholders highlighted capacity issues within contracting authorities (European Commission, 2021^[17]).

2.1.2. A framework that could be further improved to reflect additional procurement challenges

While the current measurement framework considers several public procurement areas and issues, it could be further improved in future revisions by integrating indicators focusing on integrity and monitoring/oversight of the public procurement system (see Section 3.3.3). However, it is worth mentioning that the framework already includes indicators linked (but not focusing) on these topics. For instance, transparency is key to ensure the integrity of the public procurement system and the measurement framework includes transparency related indicators.

In terms of **integrity**, since 2012, Hungary dropped 11 points in Transparency International's Corruption Perception Index and was ranking 77th out of 180 countries in 2022 (Transparency International, 2023^[20]). This perception is also confirmed by other perception surveys. For instance, according to the responses to the survey of Eurostat in 2022 - Special Eurobarometer 523, the Hungarians' perception of corruption is significantly higher in all aspects compared to the EU average. 91% of Hungarians think that corruption is very widespread in Hungary compared to the EU average (68%). Public procurement was ranked the third place in terms of area where Hungarians think corruption is widespread (after the political parties and politicians) (European Union, 2022^[21]). A positive step taken by the government is the establishment in 2022 of the Integrity Authority to enhance oversight over the spending of EU funds; but also, the establishment of the Anti-Corruption Task Force, responsible for examining Hungary's anti-corruption measures and putting forward proposals for their improvement. Hungary is also in the process of adopting a new Anti-Corruption Strategy in line with its obligations under the EU Commission's conditionality procedure and Hungary's Recovery and Resilience Plan.

Given that integrity is one of the drivers of trust for democratic governments (OECD, 2022^[22]), the high perception of corruption could impact the trust in the public procurement system. In Hungary, the first annual report of the Integrity Authority on the integrity risks of the Hungarian public procurement system highlights that dysfunctions of the Hungarian public procurement system led to a lack of trust in the public procurement system (Integrity Authority, 2023^[23]). The Integrity Authority is also looking closely at indicators regarding integrity in public procurement that are published in its annual report. These indicators are based on the Methodology for assessing public procurement systems (MAPS). While the Integrity Authority report and the one on the public procurement measurement framework of the PMO are published in different months of the year, it could be beneficial for those two entities to join forces on integrity related indicators to provide a comprehensive picture of the public procurement system.

Oversight and control mechanisms are key to support accountability throughout the procurement cycle (OECD, 2015^[8]). In Hungary, despite the existence of different institutions in charge of controlling public procurement spending (see Section 2.2.2), their controlling / auditing methodologies and practices vary from one institution to the other. All types of controls are stricter for EU funded procurement than for nationally funded ones. The stricter control is also reflected in data on single bids which is much lower for EU funded projects, with a rate of single-bidding of 13.3% for EU-funded projects versus a rate of 31.3% for projects funded by national resources in 2022. Several institutions, including the Integrity Authority and the European Commission (in its country report) highlighted that the public procurement control system showed weaknesses, and identified serious, systemic deficiencies and irregularities. Similarly to integrity indicators, the Integrity Authority report also looks at indicators related to effective control and audit systems (Integrity Authority, 2023^[23]; European Commission, 2020^[24]). However, according to the

Hungarian authorities, an audit of the public procurement control system for EU funded projects conducted in November 2022 by the European Commission concluded that the public procurement control system “works, but some improvements are needed”.

2.2. A framework that responds to the needs of different stakeholders

The development of the public procurement measurement framework is led by the public procurement policymaker, the Deputy State Secretariat for Public Procurement Supervision within the Prime Minister’s Office (hereinafter the PMO). One of the goals of the framework is to contribute to the identification of areas requiring further policy intervention. Given that public procurement is a multi-disciplinary area, different stakeholders could be consulted and involved in the development of the measurement framework. In line with international good practices, the Government Decision foresees consultations with independent non-governmental organisations active in the field of public procurement and public procurement experts in Hungary. These experts formed a working group. However, given the tight deadlines, no formal consultations were established with other key public procurement stakeholders.

2.2.1. Improving the consultation process with the working group

As part of its commitments to the European Commission, the Hungarian government committed to develop the public procurement performance measurement framework with the “*full and effective involvement*” of independent non-governmental organisations (NGOs) active in the field of public procurement and public procurement experts. This commitment is reflected also in the Government decision (Hungarian government, 2022^[41]). The independent NGOs and public procurement experts shall be selected through an open, transparent and non-discriminatory selection procedure based on objective criteria related to expertise and merit.

Hungary established a working group comprised of seven experts selected following a call for interest. These experts are expected to:

- Share their opinions and suggestions on the design of the Framework (indicators, definitions and methodologies used)
- Share their opinion and suggestions when analysing indicators and drawing conclusions from the data.

These opinions and suggestions should be taken into account and reflected in the final version of the documents.

However, discussions with members of the working group highlighted some issues that could be improved in the future.

In relation to the selection process, following a call for application, 15 applications were received, of which two by organisations and 13 by individuals while initially three posts were reserved for organisations. (European Commission, 2022^[25]). The two organisations that applied and were selected are “Transparency International Hungary” and “the Association of Public Procurement Professionals”. This association represents experts that play a key role in the public procurement system. Indeed, the PPL introduced the category of “accredited public procurement consultant” (in Hungarian *Felelős Akkreditált Közbeszerzési Szaktanácsadó*, FAKSZ) as of 1 November 2015 (replacing the previous profession of “official public procurement consultants” introduced in 2004). The contracting authority must involve a certified public procurement consultant in certain public procurement procedures defined in the PPL (Hungarian government, 2021^[12]). The involvement of a certified public procurement consultant is mandatory in case of:

- i) procurement of goods and services, if the contract equals or exceeds the EU threshold;

- ii) procurement of public works contracts, if the contract reaches HUF 700 million (approx. EUR 2 million); or
- iii) procurements funded in part or in whole from EU funds, except for the implementation of the procurement procedure where the contract is awarded based on a framework agreement and when the values do not exceed those mentioned in i) and ii)
- iv) contracts awarded based on a framework agreement (except in the case of a direct order placed under the conditions set out in the framework agreement) when the values exceed those mentioned in i) and ii).

FAKSZ were replaced by “state public procurement consultants” (in Hungarian: *Állami Közbeszerzési Szaktanácsadó, ÁKSZ*) as of 8 November 2023, although those having the title ‘FAKSZ’ may still conduct public procurement procedures related to the purchase of goods and services (but not works) until 30 June 2026. However, this change won’t affect the membership of the working group.

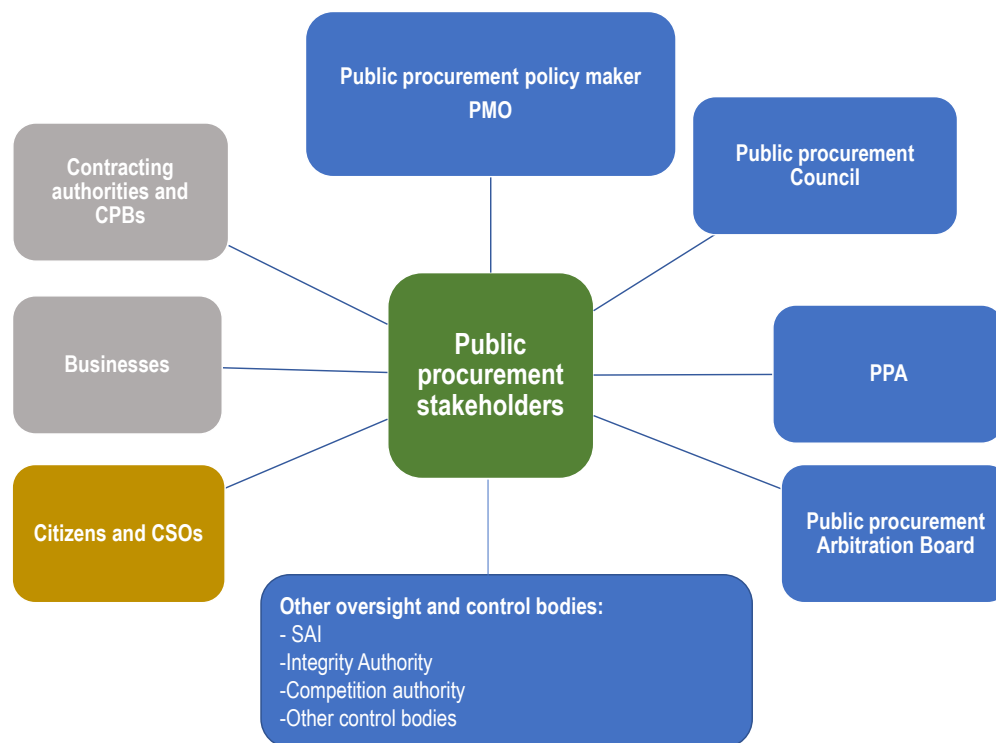
Most of the working group experts who applied to the call for application have a **legal background**. According to working group members, given the multidisciplinary nature of public procurement and the strong data component of indicators, ensuring a more diverse background (including on economics and statistics) of working group members could bring more added value to the development of the measurement framework and the underlying analysis.

Other important challenges that were highlighted by the working group are the late clarification and adoption of the rules of operations of the working group (after the selection of the working group members) and the pressing time to provide feedback. Indeed, the strong time constraints imposed on the PMO to develop the framework and to undertake the assessment and publish the results made the interactions with the working group more challenging. Indeed, for a consultation process to be efficient, adequate time should be provided to the different stakeholders to provide meaningful feedback. For example, the working group had ten days to provide feedback on the list of indicators of the measurement framework before discussing it during a dedicated meeting. Providing feedback under time pressure is particularly challenging for experts representing organizations as the provision of feedback requires internal consultations within their organisations. In its interactions with the working group and in the future development of the measurement framework, the PMO should consider providing adequate time for each member to provide more valuable comments.

2.2.2. Involving more stakeholders in the development and analysis of the measurement framework

The measurement framework aims among other goals to “contributing to the identification of areas that require further policy action to achieve the legal policy objectives”. Different stakeholders can have a different perception of these areas. While the OECD welcomes the consultation with organisations and experts in the public procurement field through the established working group, it also highlights that other key stakeholders could bring valuable input to the measurement framework itself (beyond the provision of data) and to the underlying analysis. Stakeholder involvement could also bring a consensus on the measurement framework and the methodology used to be shared and used by all stakeholders. This is particularly relevant given that these stakeholders may collaborate on other topics. Figure 2.2 provides the public procurement stakeholder mapping in Hungary. The below section provides a description of the role of these stakeholders and how they could contribute to strengthen the work of the measurement framework.

Figure 2.2. Public procurement stakeholder mapping in Hungary



The Public Procurement Council: The Council has seventeen members representing different public interests, the contracting authorities and the bidders. Seven members are appointed directly by the government – representatives of various ministries – or by organisations under the control of the government (e.g. the tax authority). The other members represent organisations such as the Integrity Authority, the Competition Authority, various chambers of commerce and federations. The PPL mentions that the Council operates within the Public Procurement Authority (PPA). The President of the Council is the President of the PPA, who is also a member of the Council – included in the seventeen members (Hungarian government, 2021^[12]). The Council decides on the appointment of the President of the PPA by a two-thirds majority of its members present at a dedicated meeting and exercises the employer’s rights over the President of the PPA. It also appoints and dismisses the President, the Vice-President and the arbitrators (“commissioners”) of the Public Procurement Arbitration Board, also by a two-thirds majority of its members present during a related meeting. Furthermore, it issues guidelines on the interpretation of public procurement law (Public Procurement Authority, n.d.^[26]). Given that most relevant stakeholders part of the Council should be consulted separately, it is not necessary to directly involve the Council in the development of the public procurement measurement framework.

The Public Procurement Authority: The PPA is an autonomous state administration body reporting to Hungary’s National Assembly. The PPA is responsible for monitoring the application of the public procurement law, issuing guidance to support the practical implementation of the public procurement legislation and formulating opinions on draft legislations. It also collects and publishes operational and statistical information through its annual reports and operates the Official Public Procurement Journal (*Közbeszerzési Értesítő* in Hungarian) (Hungarian government, 2021^[12]). In 2020, the Hungarian Central Statistical Office accredited the statistical activity of the PPA, and as a result, the PPA became member of the Official Statistical Service. In addition, the PPA operates the Public Procurement Database, the central register of public procurement procedures (currently used only as an archive for data on procedures conducted before the mandatory introduction of EKR). It also organises conferences, training and

professional courses. The PPA controls the negotiated procedures without prior publication as well as monitors the amendment and performance of public contracts (Public Procurement Authority, n.d.^[27]).

Furthermore, the PPA is providing public procurement data to the Parliament on an annual basis, through its annual reports (Hungarian government, 2021^[12]) that present various aspects of the public procurement system, analysing trends in the public procurement market and presenting the activities of the PPA. The PPA also monitors the performance of the public procurement system based on indicators reflected in its annual report. However, for some indicators, such as the one related to single bids the PPA and the PMO have been using a different methodology (OECD, forthcoming^[11]).

Given its role in the public procurement system, it is particularly relevant to involve the PPA in the performance measurement framework development and to ensure a consensus around the selected indicators and the methodologies used.

The Public Procurement Arbitration Board (PPAB): It is the review body in charge of deciding legal disputes related to public procurement procedures. The PPAB operates in the framework of the PPA but acts independently. The PPAB is composed of public procurement commissioners, a chairperson and a vice-chairperson. The proceeding of the PPAB can be initiated upon application submitted by those entitled by the PPL to do so (such as bidders) or ex officio (upon the initiation of bodies and persons specified by the PPL) (Hungarian government, 2021^[12]). The PPAB could bring valuable input to compliance indicators of the framework and support the PMO in refining the methodology for indicators related to the remedies system.

The Integrity Authority (IA): It was established as an autonomous administrative body in October 2022 in the context of the European Commission's conditionality procedure and Hungary's commitments under its Recovery and Resilience Plan (European Commission, 2022^[3]). It started its operation in 2023. The IA may act in all cases where an authority or body having the task or competence to use or control EU funds have not taken the necessary measures in order to prevent, detect and correct fraud, conflict of interest, corruption or any other violation of the law or irregularities that affect the financial interest of the European Union. It has competence to control projects and public procurement procedures financed entirely or partly from EU funds, and it may call other authorities having the competence to control the use of EU funds to initiate a procedure. When controlling cases, the IA can bring a case before the court. The tasks of the IA include the analysis of integrity risks, the preparation of an annual integrity report, and keeping the record on the legal persons (economic operators) excluded from the public procurement (Hungarian Government, 2022^[28]).

The law establishes also an "Anti-Corruption Task Force" to work alongside the IA. The Task Force is independent from the Authority, and it has 21 members: the President of the IA, ten member representing governmental bodies (e.g. ministries, the tax authority, etc.) and ten independent non-governmental members active in the area of anti-corruption or public procurement. Its task is to examine the existing anti-corruption measures and to elaborate proposals in relation to the prevention, detection, prosecution and sanction of corrupt practices, and to prepare an annual report (independently from the IA), analysing corruption risks, the effects of anti-corruption measures, and, once adopted, the implementation of Hungary's forthcoming Anti-Corruption Strategy.

The first IA's Annual Report (Integrity Authority, 2023^[16]) and the Integrity Risk Assessment Report of the Hungarian Public Procurement System (Integrity Authority, 2023^[23]) published in 2023 includes several findings in relation to public procurement based on EKR and data provided by some stakeholders including central purchasing bodies. Given its role in the public procurement system, the IA could bring valuable input to the framework, in particular to indicators relevant for the integrity of the public procurement system.

The Competition Authority is responsible for safeguarding competition, and it has the mandate to investigate public procurement cartels and take actions against anti-competitive behaviours. The Competition Authority uses several tools to discover cartels in the public procurement market, such as (i)

leniency policy and cartel informant reward, (ii) Cartel Chat, an anonymous communication form freely accessible on its website where anybody can share information directly with the Authority, (iii) methodology about the promotion of the identification of signals concerning public procurement cartels. The Competition Authority also develops publications and learning materials for contracting authorities and economic operators, available for free on its website (Hungarian Competition Authority- GVH, 2006^[29]). Although the Competition Authority is performing its tasks in terms of fighting against bid-rigging and promoting competition as part of its advocacy work, during the fact-finding meetings, several stakeholders expressed their expectations for a more active Competition Authority in fighting bid rigging and enhancing competition in the public procurement area. Given its role in the public procurement market, the Competition Authority could definitely bring valuable input to indicators in relation to competition for the future development of the public procurement performance measurement framework.

Businesses: In Hungary, data from 2023 shows there are more than 1.8 million of registered businesses in the country and most of them are micro, small and medium-sized enterprises (Hungarian Central Statistical Office, 2023^[30]). In terms of sectorial activity, around one-fourth of all companies operate in the agriculture sector. Other sectors with significant business activity include real estate, scientific and engineering activities, trade and the construction sectors (Hungarian Central Statistical Office, 2023^[31]). More than one-third of the business associations operate in Budapest, or in the county around the capital (Hungarian Central Statistical Office, 2023^[32]).

The business association with the highest number of members is the Hungarian Chamber of Commerce and Industry (Hungarian Chamber of Commerce and Industry, n.d.^[33]) which is a chamber with a general scope. However, there are specialised chambers, for example, for architects, and for engineers. There are also important national federations and associations with a significant lobbying power, such as the Confederation of Hungarian Employers and Industrialists (MGYOSZ), which is the largest and oldest business interest group in Hungary (MGYOSZ, n.d.^[34]), the National Federation of Hungarian Building Contractors (ÉVOSZ), and the Federation for information and communication technologies (IVSZ).

Public procurement is the area where the public sector and the private sector meet to ensure the delivery of public services. Measuring the performance of the public procurement system in some cases relies also on the performance of the private sector partner. There are 41 898 businesses registered in the EKR, from which 88% are SMEs. As mentioned in Section 2.3.4, businesses were involved in the calculation of indicators through surveys. However, representatives from the private sector could bring valuable input to the measurement framework by for instance developing indicators in relation to their areas of concern but also by supporting an adequate design of surveys.

Control bodies: In addition to the control activities of the PPA and the IA, there are other relevant control bodies operating in the public procurement area. The **State Audit Office** (SAO) conducts external oversight of public procurement procedures, providing recommendations and legally binding obligations to correct the most serious irregularities. It also conducts evaluations of the public procurement system or prepares analysis of certain aspects of the public procurement system, such as green public procurement in 2020.

The **Government Control Office** ('KEHI') is the internal controlling body of the Government, it can control the use of public funds and the management of national assets. It is controlled by the minister responsible for the general political coordination, that is the minister of the Government Office of the Prime Minister (*Miniszterelnöki Kormányiroda*). The activity of the Government Control Office and its reports are not publicly available; therefore, it is not clear how active the Office is in the area of public procurement. However, legal remedy cases initiated by the Office before the PPAB can be found. In addition, the Office has a dedicated department for the control of public procurement.

In Hungary, the **Directorate General for Audit of European Funds** (EUTAF) is an independent authority carrying out ex-post audits of projects financed from EU funds, examining also the related public procurement procedures. The establishment of this authority derives from Regulation 2021/1060/EU on

the common provisions of the EU funds that obliges Member States to set up an audit authority reporting directly to the European Commission. Therefore, EUTAF have ample data on public procurement procedures financed from EU funds.

Managing authorities bear the main responsibility for the effective and efficient implementation of EU funds and therefore they fulfil a wide range of functions, in relation to the selection of operations, programme management and controlling the use of EU funds by the beneficiaries. This entails detecting irregularities, including those related to public procurement procedures. The State Secretary for EU Developments and his Deputy State Secretary for the coordination of EU developments within the Prime Minister's Office coordinate and to a certain extent supervise all the managing authorities.

Contracting authorities and CPBs: According to the PMO there are 9481 contracting authorities in Hungary in 2023. Data from EKR shows that around 73% of these contracting authorities are considered as “classical contracting authorities”, and more than 99% of contracting authorities are operating at the subcentral level. Around 25 contracting authorities represent the Central Government. Around 7% of all contracting authorities are companies, organisation that normally would not fall under the scope of the PPL, however, they finance their procurement from subsidies or public funds. Regarding centralisation, four CPBs are active in Hungary (see Box 2.4). Involving CPBs and a representative sample of contracting authorities could also bring valuable input to the framework and the analysis.

Discussions with CPBs highlighted the feeling that the measurement framework is not adapted to their needs. Further collaboration with CPBs and CAs (above the provision of data) could strengthen the measurement framework and ensure its use by key public procurement players.

Box 2.4. CPBs in Hungary

The Directorate General for Public Procurement and Supply (KEF)

KEF is the main (and oldest) CPB carrying out centralised public procurement activities for ministries, other government institutions and for “organisations having a separate chapter in the Central Budget Act”. For these organisations, the use of KEF is mandatory for those product categories that are listed in the Government Decree No. 168/2004 (i.e. office furniture, stationary and office products, vehicles, fuels, travel arrangements, health products and services, facility management services for inpatient specialist care facilities and energy). Other organisations (including contracting authorities at the local level) have the opportunity to join the central purchasing system on a voluntary basis. Besides the CPB function, KEF is also in charge of operating and maintaining government buildings and vehicle fleets.

The Digital Government Agency (DKÜ)

In 2018, the Government introduced further centralisation in the field of government ICT procurement and set up a new agency, the Digital Government Agency (*Digitális Kormányzati Ügynökség*, DKÜ) with the aim of unifying and centralising the government's ICT procurement as well as making public ICT spending more transparent. DKÜ set up a repository of the ICT assets of the government. The relevant public bodies and companies are required to upload their annual IT development and procurement plans to the Centralised IT Public Procurement System (KIBER) by 31 March each year. It is mandatory for budgetary bodies under the direction or supervision of the Government, the budgetary bodies or institutions under their management or supervision, the Government Office of the Prime Minister, the foundations and public foundations established by the Government and the state-owned companies to make their IT purchases via the services offered by DKÜ.

The National Communication Office (NKH)

NKH is in charge of procuring all communication services and organizational development services for central government bodies.

Source: (Hungarian Government, 2004^[35]) (Hungarian Government, 2014^[36]) (KEF, n.d.^[37]) (Hungarian government, 2018^[38]) (Hungarian government, 2020^[39])

2.3. Ensuring the availability and quality of data

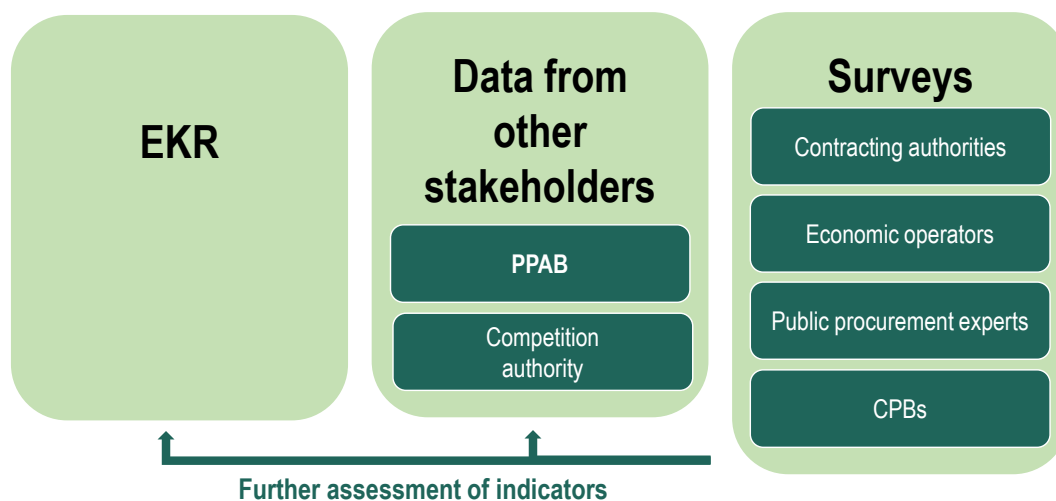
Data plays a crucial role in improving the value for money the public sector gets through public procurement. The 77 indicators of the public procurement measurement framework are based on three types of data sources:

- i) data from the national e-procurement system EKR,
- ii) data provided directly by relevant stakeholders, and
- iii) surveys targeting relevant stakeholders (contracting authorities, economic operators, public procurement experts and CPBs).

These three sources were used for different reasons: some data of the measurement framework cannot be calculated through the e-procurement system, EKR and some data belong to other stakeholders and need to be provided directly by them.

Furthermore, the analysis of some indicators requires further information, including opinions and feedback from different stakeholders (Figure 2.3). While for part of the indicators the main approach to data collection during the permanent operation of the framework has not been yet set, data availability and quality should be considered beforehand.

Figure 2.3. Data sources used for the calculation and assessment of indicators



2.3.1. The e-procurement system: EKR

One of the main data sources of the performance measurement framework is EKR as 30 indicators (39% of indicators) are based on this data source. The use of the EKR is mandated by the PPL for all contracting authorities and contracting entities for initiating and conducting public procurement procedures both below and above EU public procurement thresholds. EKR is operated by “Új Világ Nonprofit Szolgáltató Kft”, a State-owned company under the control of the Prime Minister’s Office. The EKR was developed in late

2017 and became compulsory for all contracting authorities since the 15th of April 2018 (though central purchasing bodies may partially use their own platforms).

Discussions with several stakeholders highlighted that the quality of the data in the EKR system is improving compared to the first years of operation. This could be explained by the strict control of notices performed by PPA prior to their publication. However, there are still some issues related to the manual entry of some information by contracting authorities or economic operators (Integrity Authority, 2023^[23]). For instance, issues were identified in relation to the value of contracts. Therefore, the PMO and PPA should raise awareness within contracting authorities on the importance of ensuring a good quality of data entered manually.

2.3.2. Leveraging eForms to enhance data collection

All member states of the European Union, including Hungary, must implement eForms by the 25th of October 2023. eForms are an EU legislative open standard for publishing public procurement data, established under Commission Implementing Regulation (EU) 2019/1780. They are digital standard forms used by public buyers to publish notices on the Tenders Electronic Daily (TED) (European Commission, n.d.^[40]). The eForms regulation established six standard forms, covering forty notices. The standard forms (eForms) contain fields with some mandatory and others optional (European Commission, 2020^[41]).

As mentioned by the European Commission, eForms are at the core of the digital transformation of public procurement in the EU. Through the use of a common standard and terminology, they can significantly improve the quality and analysis of data. This will in turn increase the ability of governments to make data-driven decisions about public spending and make public procurement more transparent (European Commission, n.d.^[40]).

Indeed, eForms are much more than solely the new templates for the collection of information to be published in TED; eForms represent the EU's open standard for publishing public procurement data. This new data standard is expected to improve the availability, quality and (re)usability of procurement data (TED data) at EU level. Therefore, eForms implementation in the EU member states should not consider as a low-level form-filling exercise, but rather as a key tool to build a procurement data architecture that facilitates the uptake of digital technologies for procurement governance and a way to collect information on many policy priorities, such as green, social and innovation procurement data (OECD, forthcoming^[42]). The eForms are also key for the public procurement dataspace (PPDS) which is another key element of the digital transformation of public procurement in the EU.

Therefore, the implementation of eForms and the choices that the Hungarian government will make are key for data collection and thus for the access and reliability of data. Discussions with the Hungarian representatives highlighted that the implementation of eForms will probably improve the data collection process. Most eForms fields with a relevance in data collection, especially in case of currently not available data will be mandatory or conditionally mandatory.

2.3.3. Integrating key systems with EKR

In the last decades, countries have been expanding functionalities of e-procurement systems to achieve better outcomes and deliver services more effectively and efficiently. Following these technological advances, vertical and horizontal integration of e-procurement systems with other governmental platforms are the next steps to achieve a fully integrated procurement system to provide government with full visibility on the use of public funds across different government departments and to achieve various efficiency gains for both the public and the private sector (OECD, 2023^[5]).

Stakeholders including the PPAB, the Competition Authority and CPBs directly provided their data to the PMO for the calculation of some indicators (42.8 % of indicators). The PPAB was requested to provide data on the remedies system (13% of indicators), CPBs were asked to respond to a targeted survey to

provide relevant data to the PMO for the calculation of indicators on centralization (28.6 % of indicators) and the Competition Authority also provided data to calculate one indicator.

Many of the indicators based on data provided by the PPAB and CPBs could have been provided directly to the PMO if the systems were integrated with EKR and if the data was structured. Regarding the remedies system, review procedures are initiated by submitting a request to the PPAB through the government's general website for electronic administration (www.magyarorszag.hu). Then, all information on the remedies system is registered in the PPAB internal system. Information on the procedures initiated and the decisions is published on sub-websites of the PPA dedicated to the PPAB with unstructured data (in PDF documents) (Public Procurement Authority, 2023^[43]) (Public Procurement Authority, 2023^[43]).

Public procurement procedures initiated by a CPB to conclude a framework agreement or a DPS are conducted in EKR according to the general rules. However, all four CPBs established their own e-procurement portals for contracting authorities to use when they want to procure goods, services or public works from established framework agreements or DPSs (call- offs or mini-competition). These portals rely on systems that are not integrated with EKR. Furthermore, discussions with stakeholders highlighted that each of these systems is different. Therefore, EKR does not include key data on public procurement from established framework agreements and DPSs. This lack of integration with EKR led to a lengthy process for the PMO to assess and clean the data received from CPBs.

While EKR and CPBs systems and the PPAB system could remain independent, their integration could contribute to enhancing the efficiency of the monitoring of the public procurement system and to take the necessary actions. For instance, some countries like Malta, Slovenia and Croatia developed a functionality in their e-procurement system for bidders to challenge public procurement system allowing the public procurement policy maker to have preliminary data on the remedies system (OECD, 2023^[44]).

When the data was provided by other stakeholders, the PMO was responsible for data cleaning and classification. For instance, for the indicator on “the most frequently violated legal provisions”, the PMO had to assess all the documents and data provided by the PPAB and the identified infringements of the specific provisions of the PPL. Enhancing the collaboration with stakeholders providing data on the data classification could enable the PMO to ease the process of calculating indicators and thus enhance the monitoring of the public procurement system.

2.3.4. Enhancing data collection through surveys

In specific cases, when data is not available in the short term, stakeholders can consider using surveys to collect relevant data and build indicators (Appelt and Galindo-Rueda, 2016^[45]). Surveys can also be used to assess perception of stakeholders in specific areas to complement the assessment of data or indicators.

In the framework of the measurement framework of Hungary two surveys were launched. One targeting economic operators, contracting authorities and public procurement experts (covering 14.3% of indicators) and another one for CPBs (covering 28.6 % of indicators). The development of the surveys benefited from valuable comments from the working group. To enhance the efficiency of surveys to calculate relevant indicators or to complement the analysis of some indicators, it is relevant to assess: i) the design of the survey, ii) the number of respondents and iii) the frequency of launching surveys. This is particularly relevant given the fact that for the general survey that was published online, PMO noticed that a significant number of stakeholders started to fill the questionnaire but did not complete it.

Improving the design of the surveys

The content of the survey could be further improved to enhance the quality of data and to further refine the analysis. The different areas of improvements are summarised in Table 2.2. The design of the general survey could also impact the number of respondents.

Table 2.2. Areas for improvement of the content of public procurement surveys in Hungary

	Areas of improvement
Order of questions	Changing the order of some questions
	Categorising the questions based on the three categories of indicators of the framework
Quality of data	Clarifying the time period considered
	Providing clear definitions and guidance for some questions
Refining the analysis	Asking suppliers in which sector(s) they are active.
	Adding more response options
	Adding a breakdown
	Adding questions

The **order of some questions should be reviewed**. General question could be brought to the beginning of the survey. For instance, the annual number of public procurement procedures carried out by an organisation should be asked in the beginning of the survey. Furthermore, it could be relevant to **structure the questions around the three categories of indicators of the framework** (compliance, efficiency and strategic objectives).

On the quality of data for the general survey, it is recommended to **clarify the time period considered** for several questions. For instance, one of the questions aims at identifying if stakeholders have been involved in a public procurement challenge before the PPAB (*Have you ever been involved as an applicant or defendant in a review procedure before the PPAB?*) This question does not mention any period and given the different changes of the remedies system, a time period will enable an improvement of the quality of data and the underlying analysis.

Another key aspect related to the quality of data is the provision of **clear definitions and guidance for some questions**. For instance, questions on “the costs of procurement and legal advisory services for contracting authorities” would need further guidance as they mention some costs that can be included but do not list all the potential costs. For instance, when calculating these costs, it is not clear if stakeholders should account for costs related to facilities (office space, IT equipment, etc.), staff time of management, etc. This might cause a different understanding of the questions by different respondents and impact the comparability of answers. The question for the costs incurred by suppliers also requires reviewing the guidance provided to ensure the comparability of data as it clearly mentions that it should include “consultancy services” but not “salary costs”. However, depending on the size of the economic operator, some may rely on their internal staff to prepare their bids rather than external consultants. Another relevant example is related to question on the number of staff employed to manage public procurement procedures. The question does not mention clearly “full staff equivalent” as in some small entities, employees can work partly on public procurement.

To further refine the analysis, **some questions with response options can include additional options**. For instance, for the question addressed to contracting authorities on the use of CPB services, only 3 options were available (i) Yes, under legal obligation, ii) Yes, on a voluntary basis, iii) No. However, other options could be envisaged as for some procurement categories a contracting authority might be obliged to use CPBs services and for others they use them on a voluntary basis. Another example is the one on the question related to the extent to which some “statements” help to increase the intensity of competition and the willingness to bid for public contracts”. Discussion with stakeholders highlighted that it could be relevant to add as a statement “sanctioning contracting authorities”.

The refinement of some questions might also **require a breakdown**. For instance, the question on the savings performed through the use of CPB services might highly depend on the procurement category. Having a general question might not help to refine the analysis and to provide a real picture on the potential savings achieved through centralisation.

Regarding additional questions to include in the survey, the PMO could add two categories of questions: i) those related to the additional indicator it may consider adding, and ii), **additional general questions** to further refine the analysis. For instance, it could be relevant to ask the different stakeholders about the main procurement categories where they are active, their procurement volume, etc.

Ensuring a larger number of responding stakeholders

The survey targeting different stakeholders was answered by 570 participants, 377 from contracting authorities, 31 from economic operators, 77 from public procurement experts and 85 were from the category “others”. While the PMO mentioned in its report on the public procurement measurement framework that particular attention was given to achieve a sufficient number of responses, the actual number is relatively low. Indeed, 41 898 economic operators were registered in 2022 in EKR (not all of them active in that year), so less than 0.07% of them responded to the survey. Regarding contracting authorities, around 10 % of the active ones in the past three years responded to the survey. Given that surveys are not only used to complement the analysis of indicators but also to calculate indicators, the relatively low number of responses may impact the assessment and related findings. In particular, the results of these indicators might not represent the real practices of the different procurement stakeholders. The low responses to the survey could be explained by different factors, including the lack of incentives to respond, the structure of the survey, the timeline to respond and the lack of advertisement of the survey.

The general survey was published in EKR and the PMO mentioned discussions with the Chamber of Commerce to ensure a wider dissemination of the survey to businesses. For the general survey, it was available during 26 days to stakeholders, and CPBs had 9 days to complete their questionnaire. The dissemination of the survey was impacted by the time constraint to finalise the public procurement measurement framework and to prepare the report on the measurement framework.

If the PMO wants to keep the survey open and does not want to use a sampling method, in future editions, it should decide on a minimum number of participants to ensure the results of the indicators are representative and “acceptable”. In parallel, it should consider allowing more time to respond and further disseminate the surveys using different means such as i) relevant stakeholders websites (e.g. the websites of the PPA, the Integrity Authority, the Competition Authority, the Hungarian Chamber of Commerce and Industry, etc), ii) the mobile application managed by the PPA, the “Daily Public Procurement” (Napi Közbeszerzés in Hungarian) that offers a customised free news channel for the users, on public procurement and, iii) social media. For instance, Scotland launched a survey dedicated to suppliers in 2020 and received 1556 responses by using different means to promote the survey (see Box 2.5). Furthermore, it is relevant to mention in the beginning of the survey the average time it may take to complete it to avoid having participants starting to fill the questionnaire but not completing it as they find it lengthy.

Box 2.5. Public Procurement Survey of Suppliers 2020 in Scotland

Between 2 November and 11 December 2020, the Government of Scotland carried out a survey of suppliers to the public sector in Scotland. The survey aimed to gather the views and experiences of suppliers in relation to several strategic topics of importance to the Scottish public sector procurement.

In total, it contained 67 questions covering a range of topics such as:

- suppliers’ experiences of the bidding process and of delivering contracts (including subcontracting work);
- training;
- support and advice around tendering;

- barriers to bidding and delivering contracts; and
- the impact of the COVID-19 pandemic on suppliers.

In total, 1 556 responses were received.

The feedback gathered through the survey and the analysis of the responses presented in a report were used to inform future thinking on the delivery of public procurement in Scotland. The findings were invaluable in helping to identify those areas of policy and practice where Scotland is doing well and to understand the impact of recent changes. More importantly, the results also identified areas where Scotland could be doing more – or doing things differently – to maximise the impact of public procurement and to ensure the delivery of public services that are high quality, continually improving, efficient and responsive to local people’s needs.

In order to maximise the number of responses, a multi-faceted approach was adopted to promoting the survey. This involved issuing survey invitations to suppliers registered on Public Contracts Scotland (PCS) and key stakeholders from business representative groups, including the construction sector. The survey was also publicised on the Scottish Procurement social media platforms and also through stakeholder groups – in particular, the Procurement Policy Forum, the Public Procurement Group, the Procurement Supply Group and the Supplier Development Programme.

Source: (Government of Scotland, 2021^[46])

Considering the frequency of launching surveys

Preparing, launching, disseminating, and assessing the answers of a survey is a heavy exercise both for the entity in charge of administering the survey and for those that are required to respond. As this is an exercise that should be repeated over time in Hungary, the PMO should consider fixing the frequency of launching surveys.

As mentioned earlier, surveys targeting different stakeholders are used on the one hand to calculate indicators but also to gather additional information to assess some indicators that are more of a descriptive nature and that might not substantially change from one year to the other (i.e. capacity within contracting authorities, cost of bidding, cost of procedures). It is therefore recommended to the Hungarian government to not launch these surveys on an annual basis and to devote more efforts to further disseminate these surveys in future editions.

Regarding the questionnaires sent to CPBs, given that CPBs represent an important share of public procurement spending in the country, it is recommended to launch the dedicated questionnaires on an annual basis while working in parallel in integrating CPB systems with EKR, the national e-procurement system.

3

Assessment of the Hungarian measurement framework

3.1. Description of the framework

The development of the Hungarian public procurement performance measurement framework (hereafter the Hungarian framework) was linked to the commitments of the country as part of the conditionality procedure. Indicators part of the framework were listed in a document published on the 30th of November 2022 (Hungarian Government, 2022^[6]). However, some indicators mentioned in this list, lack clarity in particular for indicators related to centralisation and capacity of the procurement workforce. For instance, on centralisation, one indicator of the published list refers to “Results of a survey on the efficiency of central purchasing bodies” which cannot be considered as an indicator per se. This lack of clarity of some indicators could be explained by the limited time the Hungarian authorities had to develop the framework.

The first report of the results of the Hungarian framework (hereinafter the report) that was published on the 28th of February 2023 (Hungarian Government, 2023^[7]) provides more clarity on certain indicators. Therefore, indicators mentioned in this document were based mainly on the indicators identified in the report and discussions with the PMO.

The indicator framework includes 77 indicators divided into three categories like the ones identified in the OECD public procurement measurement framework (compliance, efficiency and strategic objectives). The Hungarian measurement framework includes 20.8% of indicators in the compliance category and respectively 72.7 % 6.5% and for the efficiency and strategic objectives categories. It also includes 57 sub indicators covering different aspects such as “Effectiveness of the remedies”, “Legal compliance” and “Transparency” for Compliance indicators. Table 3.1 provides a summary of the framework and Annex A provides a detailed description of the Hungarian framework. Furthermore, in line with the OECD measurement framework, the indicators of the Hungarian framework are covering all procurement phases.

Table 3.1. Indicators of the public procurement measurement framework of Hungary

Category and sub-categories	Number of indicators	Share of total indicators	Number of sub-indicators	Share of total sub indicators
Compliance indicators	16	20.8%	13	22.8%
Effectiveness of the remedies	11	14.3%	7	12.3%
Legal Compliance	1	1.3%	1	1.8%
Transparency	4	5.2%	5	8.8%
Efficiency Indicators	56	72.7%	38	66.7%
Effectiveness of public procurement procedures	10	13%	14	24.6%
Cost-effectiveness /administrative costs	4	5.2%	6	10.5%

Category and sub-categories	Number of indicators	Share of total indicators	Number of sub-indicators	Share of total sub indicators
Effectiveness of contract performance	5	6.5%	2	3.5%
Competition	8	10.4%	10	17.5%
Capacity	7	9.1%	1	1.8%
Centralisation	22	27.3%	5	8.8%
Strategic Indicators	5	6.5%	6	10.5%
Total	77	100%	57	100%

Source: (Hungarian government, 2022^[4]) and report

3.2. Improving existing indicators

While the existing indicators of the Hungarian framework represent already a great achievement, some indicators of the framework could be improved to further support the government in achieving its objectives (see Section 2.2.2). The improvement could be related to the scope, the methodology or to the possibility to provide further sub-indicators to have a better understanding of the system in line with policy priorities. After some general considerations to improve the framework, the below sections assess individual indicators following the current organisation of the framework by “categories” and “sub-categories”. While some recommendations on the improvement of the existing indicators can be implemented in the short term, other recommendations can be implemented in the medium and long term (see Annex B).

3.2.1. General considerations

The implementation of a performance indicator requires ensuring that the different users and stakeholders of the public procurement system understand what this indicator is aiming to achieve. As mentioned in the OECD public procurement measurement framework, this is usually achieved by providing different information, including the i) metric description which is a detailed description of the indicator and ii) the calculation/ data requirements (OECD, 2023^[5]).

The Hungarian framework published in November 2022 does not provide such information for all indicators. For indicators based on EKR data, Annex 3 of the first report provides the methodology used to calculate these indicators. For the other indicators, no methodology has been provided. However, some methodological aspects could be identified in the analysis of some indicators provided in the report. Independently from the data source, it is recommended to add in the updated Hungarian framework a detailed methodology to calculate each single indicator and sub-indicator.

Furthermore, while most indicators included in the Hungarian framework are relevant, it could be important for the Hungarian government to explain in the framework the reason for focusing on certain sub-categories of the framework and for choosing certain indicators.

In addition, the Hungarian government could also clarify the methodology used for some sub indicators such as those that mention “CPV divisions” or “CPV groups”. Indeed, it is not clear if these sub-indicators include all CPVs or the Top CPV divisions or groups.

3.2.2. Compliance indicators – effectiveness of the remedies

Remedies systems are key for the well-functioning of the public procurement system. The *OECD Recommendation on public procurement* highlights the need to handle complaints in a fair, timely and transparent way through the establishment of effective courses of action for challenging procurement decisions to correct defects, prevent wrong-doing and build confidence of bidders, including foreign

competitors, in the integrity and fairness of the public procurement system (OECD, 2015^[8]). The section below assesses the indicators included in the Hungarian measurement framework.

1 Number of public procurement challenges

This indicator provides an overview of the number of public procurement challenges. It includes four sub-indicators providing relevant information to understand key aspects of the remedies system: i) by ex officio and on-demand procedures, ii) by EU and national procedures, iii) by source of funding (EU vs domestic funding) and iv) breakdown by appeals decided on the merits and appeals not decided on the merit. It could be relevant to consider adding a sub-indicator on the most important sectors or CPV divisions where challenges are filled.

Furthermore, in terms of methodology, the breakdown by year is the year of publication of the contract award notice. However, in some cases, some procedures might be cancelled and therefore not accounted for. It is therefore recommended to use a breakdown the year where the challenge has been filled or to clarify this point in the methodology.

2 Ex officio initiators

Different institutions or their representative can launch an ex officio procedure before the PPAB. Article 152 mentions of the PPL provides their list: a) the President of the Public Procurement Council; b) the State Audit Office; c) the government body responsible for control; d) the body responsible for the legal supervision of local governments; e) the Hungarian State Treasury; f) the Commissioner for Fundamental Rights; g) the entity granting support for the public procurement, or the entity co-operating pursuant to law in the use of the support; h) the central purchasing body appointed by the Government; i) the Hungarian Competition Authority; j) the body auditing European Union supports; k) the minister competent in the supervision of the national property; l) the public prosecutor; m) the minister competent in public procurements; n) the minister responsible for the use of EU fund (Hungarian government, 2021^[12]).

This indicator aims at understanding to which extent this procedure is used by these different bodies and their representatives.

3 Share of public procurement challenges out of the total number of public procurement procedures

To have a real understanding of the functioning of the remedies system, the indicator on the number of challenges which is an “absolute value” needs to be complemented with the “share of public procurement challenges out of the total number of public procurements procedures” (relative value). Therefore, ensuring also the availability of the same sub-indicators as for the “Number of public procurement challenges” would further improve the assessment of challenges.

4 Share of successful public procurement challenges

Providing information on the share of successful public procurement challenges is key to build trust in the system and can impact the level of competition in the public procurement market. The indicator on the share of successful public procurement challenges is complemented by a sub-indicator on the source of funding (EU vs national funding).

To calculate this indicator, the PMO relies on data provided by the PPAB. However, the exact methodology for calculating this indicator has not been described. According to discussions with the PMO, this indicator refers to review procedures where in its decision the PPAB establishes that an infringement occurred. The Hungarian government would benefit from ensuring the availability of the methodology used in the performance measurement framework.

5 Share of public procurement procedures with a request for a preliminary dispute settlement as a percentage of all public procurement procedures

Understanding the use of the different means available to settle disputes is key to understand the functioning of the remedies system. To calculate this indicator, the PMO relies on data provided by contracting authorities in EKR as they are mandated to publish in EKR requests for preliminary dispute settlement (Hungarian government, 2021^[12]).

6 Number of notifications of public interest received by the Public Procurement Authority

According to Act XXV of 2023 on complaints, disclosures in public interest, and related rules on reporting abuses “A public interest disclosure calls attention to a circumstance the remedying or discontinuation of which is in the interest of the community or the whole society.” (Hungarian government, 2023^[47]). Based on notifications of public interest, the PPA can launch controls or a legal review before the PPAB.

7 Number of launched review procedures based on notifications of public interest received by the Public Procurement Authority

As mentioned in the previous section, the PPA can launch legal reviews before the PPAB based on notifications of public interest (ex-officio). To further assess the performance of the public procurement remedies system, the Hungarian government could consider adding a sub-indicator on the share of the reviews before the PPAB based on notifications of public interest received by the PPA out of the total ex officio reviews launched by the PPA.

8 Cost of public procurement challenges

This indicator aims at assessing the cost of public procurement challenges for bidders and contracting authorities. From a methodological perspective, the cost for bidders and for contracting authorities should be considered as two separate indicators rather than sub-indicators.

The legal framework mentions that it is mandatory to be represented by a responsible accredited public procurement consultant, legal adviser registered with the chamber of lawyers or a solicitor for challenges before the PPAB (Hungarian government, 2021^[12]). The survey only includes a specific question to contracting authorities on the fee for the legal representation of the organisation when using an external legal representative in an appeal procedure (before the PPAB) with up to three elements of complaint. It is therefore recommended to also add a specific question for economic operators as challenging public procurement decisions represents also a cost for them.

Furthermore, from a methodological perspective, it is important to acknowledge that costs of public procurement challenges include also internal costs that are not accounted for in this indicator (e.g. costs related to the analysis performed by the legal department, etc.)

9 Average duration of redress procedures

In line with good principles of remedies system, the review must be as rapid as possible (OECD-SIGMA, 2011^[48]). This indicator is key to understand the effectiveness of the remedies system. By law, the PPAB has a maximum of 15 days, if there is no hearing; 25 days if there is a hearing; and 60 days in case of an amendment or performance violating the PPL, or the bypass of the procurement procedure (Hungarian government, 2021^[12]).

The PMO would benefit from detailing the methodology used for this indicator in terms of time/ date to calculate this indicator. For instance, for a specific year, does it include only cases opened that year or cases ruled that year.

10 Number and share of judicial reviews in the number of appeals

Effective courses of action for challenging procurement decisions also include the possibility to appeal the PPAB decision before the relevant court. It is therefore pertinent to understand to which extent this course of action is used by both contracting authorities and bidders.

The PMO would benefit from detailing the methodology used for this indicator in terms of time/ date to calculate this indicator. For instance, for a specific year, does it include only cases opened that year or cases ruled that year.

This indicator also includes a sub indicator aiming at refining the information by judicial outcome. The different judicial outcomes could also be detailed in the methodology.

11 Number and percentage of challenges by contracting authorities against themselves out of the total number of challenges

In Hungary, before the 1st of September of 2023 a contracting authority that identifies or detects an infringement to the public procurement law in its procurement procedures had limited possibilities to remedy this infringement. The contracting authority could only challenge its own decisions before the PPAB which highlighted the lack of flexibility of the Hungarian public procurement system in this area (Hungarian government, 2021^[12]). An amendment to the PPL was introduced to remedy this situation.

Having a dedicated indicator shows that the Hungarian government is aware of this issue. The PMO would benefit from detailing the methodology used for this indicator in terms of time/ date to calculate this indicator.

3.2.3. Compliance indicators – Legal compliance

Enhancement of public procurement systems requires understanding the main infringements identified by competent authorities. This sub-category within the compliance indicators includes only one indicator “Number of infringements broken down by the legal provision infringed”.

12 Number of infringements broken down by the legal provision infringed

This indicator is particularly relevant to identify key public procurement areas to further monitor and potentially to improve, however several aspects of this indicator could be improved.

First, to calculate this indicator, the PMO relies on “raw” data provided by the PPAB. As mentioned in Section 2.3 the PMO had to assess all the documents and data provided by the PPAB to identify the specific provisions that were infringed. It is worth enhancing the collaboration with the PPAB on the data classification to ease the process of calculating this indicator and thus to enhance the monitoring of the public procurement system. For instance, after ruling a case, the PPAB commissioner could directly fill a form with the relevant information required by the PMO.

In addition, similarly to other indicators, there is no clear description of the methodology used to calculate this indicator in the framework. It is worth mentioning that the report includes some relevant information which are not comprehensive. The PMO should therefore consider detailing the methodology used for this indicator.

Moreover, the data is provided in absolute value (number of infringements), it is worth considering also providing the data in relative value (as a share) to “neutralise” the potential variations of number of infringements per year.

3.2.4. Compliance indicators – Transparency

Competitive procedures should be the standard method for conducting procurement as a means of driving efficiencies, fighting corruption, obtaining fair and reasonable pricing and ensuring competitive outcomes (OECD, 2015^[8]). Transparency in terms of publishing procurement opportunities contributes to fair and equitable treatment for potential suppliers (OECD, 2016^[49]). The strong linkages between transparency and access to public procurement opportunities are reflected in four indicators of the Hungarian measurement framework that are described below.

13 Share of lots (in numbers) of public procurement procedures launched by public notice among the lots awarded

This indicator is relevant to assess the share of procedures that are competitive (open for competition). Given that this indicator relies on data provided by EKR, Annex 3 of the report provides a detailed description of the methodology used. It could be relevant to consider sub-indicators that may reveal specific trends (e.g. by EU vs national procedures threshold, and source of funding).

Furthermore, the methodology mentions that this indicator does not include contracts concluded under framework agreements and design contests. The methodology should clarify if contracts concluded under a DPS are included.

14 Share of negotiated procedures without prior publication of a contract notice

Article 49 of the PPL provides the possibility to use negotiated procedure without the publication of a contract notice. To use this procedure, contracting authorities are required to inform the PPA on the day of its launch, with referring to the specific circumstances justifying its application and submitting the invitation to tender. As part of the compliance control, the PPA checks whether the contracting authority's decision to use this procedure complies with the PPL and publishes a reasoned decision concerning the legal grounds on its website. If the PPA is unable to determine that the legal ground exists, it shall initiate a remedy procedure before the PPAB. Contracting authorities must publish all documents of the negotiated procedure without prior publication, including data regarding the invited and contracted economic operators (Hungarian government, 2021^[12]). Given the non-competitive nature of this procedure, it is relevant to have it covered by a dedicated indicator.

Furthermore, the methodology mentions that this indicator does not include contracts concluded under framework agreements and design contests. The methodology should clarify if contracts concluded under a DPS are included.

15 Share of lots (in numbers) of public procurement procedures conducted under Article 115 of the PPL

The procedure under Article 115 of the PPL is applicable to public works contracts with an estimated value of less than HUF 300 million (approximately EUR 78°1540). Through this procedure, contracting authorities should directly send a written invitation to tender to at least five economic operators instead of publishing a contract notice to announce the procedure, and only the economic operators invited to tender may submit a bid. Since February 2021, following an amendment of the PPL, this type of procedure cannot be used when using EU funds (even partly) (Hungarian government, 2021^[12]).

This indicator aims at understanding to which extent this procedure is used by contracting authorities in the country. It is complemented by two sub-indicators:

1. the share of public procurement lots conducted under Article 115 of the Public Procurement Act compared to the number of public works successful lots (contracts),
2. the share of public procurement lots conducted under Article 115 of the Public Procurement Act compared to the number of public works successful lots of works contracts conducted below-EU-thresholds.

According to several stakeholders, including the Integrity authority (Integrity Authority, 2023^[23]), this provision should be repealed as it does not ensure a fair competition between bidders given that contracting authorities decide on the list of economic operators who will receive an invitation to tender, breaching the principles of “equal opportunities” and “equal treatment” mentioned in the PPL. This argument is relevant to consider even if this procedure represents only 2% of the total procurement volume in 2022 and 4% of contract value in the construction field. Furthermore, public procurement principles and rules should consider the procedure that achieve the greatest value for money independently of the source of financing. These findings have been also highlighted in the responses to the survey that were reflected in the first report of the measurement framework.

16 Share of lots (in values) of public procurement procedures conducted under Article 115 of the PPL

This indicator is similar to the previous one but provides information in terms of value of lots which is key to understand the impact of the use of procedures conducted under Article 115 of the PPL on the public works market.

3.2.5. Efficiency indicators – Efficiency of public procurement procedures

Assessing the efficiency of procurement processes goes beyond procurement outcomes, it also includes the time to undertake and complete specific processes, the use of specific tools and mechanisms by contracting authorities. In this context, the Hungarian framework includes a set of ten indicators aiming at assessing the efficiency of public procurement procedures.

17 Average time, in days, between the publication of the call for tender and the publication of the report on the award of the contract

This indicator aims at assessing the average duration of a procurement process from the publication of the call for tender to the publication of the award of the contract. It includes four sub-indicators:

- i) by EU and national procedures for the first summary (evaluation)
- ii) by EU and national procedures for the last summary
- iii) by procurement object for the first summary
- iv) by procurement object for the last summary

To support the analysis of the sub-indicator on “procurement object” it could be interesting to also look at CPV divisions when relevant. This analysis cannot be included as a sub-indicator as it would entail adding 45 additional sub-indicators.

Furthermore, the methodology mentions that this indicator does not include contracts concluded under framework agreements and design contests. The methodology should clarify if contracts concluded under a DPS are included.

18 Average time in days between the publication of the call for tender and the bid submission deadline

This indicator is key to assess the access to the public procurement market as the time allotted for economic operators to respond to a call for tender should be proportionate to the size and complexity of the procurement (OECD, 2015^[8]).

It includes two sub-indicators i) by EU and national procedures and ii) by procurement object. To support the analysis of the sub-indicator on “procurement object” it could be interesting to also look at CPV divisions when relevant. This analysis cannot be included as a sub-indicator as it would entail adding 45 additional sub-indicators.

Furthermore, the methodology mentions that this indicator does not include contracts concluded under framework agreements and design contests. The methodology should clarify if contracts concluded under a DPS are included.

19 Average time in days between the bid submission deadline and the publication of the summary

This indicator is key to assess the average time taken by contracting authorities for the tender evaluation which can also impact the competition in the public procurement market. Indeed, lengthy evaluations and publications of summaries could have an impact on the level of participation of economic operators in procurement opportunities as they represent a risk in terms of the financial viability of their bids (e.g. inflation, etc.). The indicator includes two sub-indicators i) by EU and national procedures, and ii) by procurement object. To support the analysis of the sub-indicator on “procurement object” it could be interesting to also look at CPV divisions when relevant. This analysis cannot be included as a sub-indicator as it would entail adding 45 additional sub-indicators.

Furthermore, the methodology mentions that this indicator does not include contracts concluded under framework agreements and design contests. The methodology should clarify if contracts concluded under a DPS are included.

20 Share of unsuccessful lots (in numbers)

This indicator aims at assessing the share of lots not awarded. It includes a sub-indicator distinguishing EU and national procedures. This indicator could be complemented by other sub-indicators such as “procurement object” and the type of procedure to provide a real picture of the situation. To support the analysis of the sub-indicator on “procurement object” it could be interesting to also look at CPV divisions when relevant. This analysis cannot be included as a sub-indicator as it would entail adding 45 additional sub-indicators.

Furthermore, the methodology mentions that this indicator does not include contracts concluded under framework agreements and design contests. The methodology should clarify if contracts concluded under a DPS are included.

21 Share of each reason of unsuccessful lots

This indicator provides further information on the reasons for declaring a lot unsuccessful which is a source of inefficiency of the public procurement system which can be found in the PPL. Understanding the exact reasons could support the government in taking the necessary actions to decrease the rate of unsuccessful lots.

The methodology in Annex 3 of the report does not list all the different reasons for unsuccessful lot. However, these reasons are found in Annex 2 which present the results of some indicators: The Hungarian government could further detail the different reasons in the methodology.

Furthermore, the methodology mentions that this indicator does not include contracts concluded under framework agreements and design contests. The methodology should clarify if contracts concluded under a DPS are included.

22 Number and share of lots using efficient procurement techniques

The use of tools or techniques such as framework agreements or dynamic purchasing systems (DPS) have usually a positive impact on the efficiency of the public procurement system as they aim at improving procurement procedures, reducing duplication and achieving greater value for money (OECD, 2015^[8]).

The Hungarian measurement framework includes an indicator on the number and share of lots using efficient procurement tools or techniques. The “number” and “share” should be considered as two distinct indicators.

Moreover, the indicator includes two sub-indicators, one in relation to framework agreements and one in relation to DPSs. However, from a statistical perspective the two sub indicators should be considered as two separate indicators as they don't add up because they have a different denominator (For DPS: the number of awarded lots + the number of lots of dynamic purchasing systems already established, and for FAs: the total number of lots). The Hungarian government should consider addressing this issue in the updated public procurement measurement framework.

23 Average duration of framework agreements

A framework agreement may generally not exceed four years; The duration of framework agreements, in the case of centralisation can have a significant impact on competition for a fixed period. Therefore, a good understanding of the nature of the market and of the purchases to be made is essential when deciding on the contract duration. Careful consideration needs to be given to balancing the benefits of longer-term arrangements – such as reduced procurement costs and speedier procurement procedures – with the effects of potentially limiting competition (OECD-SIGMA, 2016^[50]).

Therefore, it is relevant for the Hungarian government to understand the average duration of framework agreements. It could consider adding a sub-indicator in relation to the procurement object. To support the analysis of the sub-indicator on “procurement object” it could be interesting to also look at CPV divisions when relevant. This analysis cannot be included as a sub-indicator as it would entail adding 45 additional sub-indicators.

Furthermore, as CPBs are implementing framework agreements, it is recommended to add a specific sub-indicator on framework agreements managed by CPBs. This would further enrich the analysis on the efficiency of centralised procurement schemes. This sub-indicator could be integrated when advancing the data integration between EKR and CPB systems as recommended in Section 2.3.3.

Last, from a methodological perspective, framework agreements can be usually extended up to four years, it could be relevant to also assess the effective duration of framework agreements and not the one mentioned initially.

24 Share of framework agreements concluded with one or multiple operators

One feature of framework agreements is the number of economic operators that are part of it: one supplier or multi-supplier. This feature could have an impact on the level of competition in a given market where a

framework agreement is used. However, it is important to note that a multi-supplier framework agreements, does not imply that all suppliers will get a share of the contract (OECD-SIGMA, 2016^[50]).

From a methodological perspective, this indicator should be divided into two indicators: “Share of framework agreements concluded with one operator” and “Share of framework agreements concluded with multiple operators”. The latest could be complemented by sub-indicators aiming at assessing the average number of economic operators’ part of the framework and if suppliers’ part of a multi-supplier framework agreement are performing a share of the contract or not.

Furthermore, as CPBs are implementing framework agreements, it is recommended to add a specific sub-indicator on framework agreements of CPBs (depending on data integration between EKR and CPB systems).

25 Share of lots awarded in public procurement procedures using each evaluation criteria

The evaluation of the submitted bids is a key milestone of the procurement process as it allows public buyers to assess the relative merits of proposals received against institutions’ objectives and for this reason, care must be taken to ensure that the outcome is satisfactory and that it has been decided in a fair and transparent manner (OECD, 2020^[51]).

Therefore, it is relevant for the different public procurement stakeholders to have information on the different evaluation criteria used to assess bids. In line with EU regulation, in Hungary, article 76 of the PPL provides for the possibility to use the following evaluation methods: i) the lowest price criterion, ii) the lowest cost criterion and iii) the best price-quality ratio. However, the use of the lowest price criteria is only allowed in justified cases.

The Hungarian measurement framework mentions as an indicator the “Share of lots awarded in public procurement procedures using each evaluation criteria” and three sub-indicators reflecting the different evaluation criteria provided in Article 76. However, as the three sub-indicators cannot be added up, it is recommended to consider them as three separate indicators.

Furthermore, the methodology mentions that this indicator does not include contracts concluded under framework agreements and design contests. The methodology should clarify if contracts concluded under a DPS are included.

26 Share of procurement procedures broken down into lots (as a percentage of the number of successful procurement procedures)

When preparing a procurement procedure, contracting authorities should consider if their needs are to be responded by using one contract or by using a number of separate contracts or “lots”, which may be awarded and performed by different economic operators. The decision is not an easy one, as savings derived from economies of scale may promote the use of a single contract, while the diversity resulting from multiple contracts, or lots can enhance competition and increase efficiency and sometime allows to better respond to the contracting authority’s needs (OECD-SIGMA, 2016^[52]).

It is relevant for the Hungarian government to understand the share of public procurement procedures broken down into lots. It could be relevant for the Hungarian government to consider introducing a break down by procurement object to have a better understanding of the use of allotment strategies in specific sectors or procurement categories. To support the analysis of the sub-indicator on “procurement object” it could be interesting to also look at CPV divisions when relevant. This analysis cannot be included as a sub-indicator as it would entail adding 45 additional sub-indicators.

Furthermore, the methodology mentions that this indicator does not include contracts concluded under framework agreements and design contests. The methodology should clarify if contracts concluded under a DPS are included.

3.2.6. Efficiency indicators – Cost-effectiveness /administrative costs

As mentioned earlier, assessing the efficiency of procurement processes goes beyond procurement outcomes, it also includes the time to undertake and complete specific processes and should consider the related costs. Furthermore, efficient processes require understanding the functioning of the market and its characteristics to be able to correctly estimate the value of the contract.

27 Cost for contracting authorities of running a public procurement procedure

Running a procurement procedure can be costly for contracting authorities. In addition to internal costs such as the salaries of the officials involved, the cost of facilities, contracting authorities need to account for the cost of external procurement experts and administrative fees such as the fees for the use of the EKR system and the administrative service fees for the various controls carried out by the PPA. Understanding the cost of procurement procedures could help contracting authorities and governments to take informed decisions in relation to procurement strategies such as the use of centralised procurement schemes.

The Hungarian government introduced the indicator on “cost for contracting authorities of running a public procurement procedure” which is calculated from data provided by contracting authorities who responded to the survey. This indicator includes a sub-indicator capturing the costs for EU procedures vs national procedures.

As mentioned in Section 2.3.4, the question addressed to contracting authorities to assess their costs lacks clarity and could be improved. The exact methodology to calculate the costs should be described in the measurement framework and reflected in the question of the survey.

28 Cost for economic operators of bidding in a public procurement procedure

The cost for economic operators to bid in a procurement process can have a significant impact on the level of competition (OECD, 2022^[53]). Therefore, understanding these costs could support policy actions to enhance the participation of economic operators in the public procurement market.

The Hungarian government introduced an indicator on the cost for economic operators. Similarly, to the indicator on cost for contracting authorities, the question addressed to economic operators lacks clarity and could be improved. Therefore, the exact methodology calculates the costs should be described in the measurement framework and reflected in the question of the survey.

29 Ratio of the estimated value of lots to the contract price for the awarded lots in public procurement procedures

This indicator enables to understand if the estimated values of lots are close to the real contract values. To further refine the analysis, it is complemented by two sub-indicators. The first one considers the contracts where the estimated value is larger than the contract price and the second considers the reverse case. In addition to further clarifying the methodology used, it could be beneficial for the Hungarian government to consider adding as a specific sub-indicator of the “median” values.

30 Share of number of lots in which a tendering security has been lodged in respect of the number of lots awarded

Bid bonds, guarantees or other financial commitments can represent a barrier to participate in the public procurement market. In Hungary, Article 64 of the PPL provides contracting authority with the possibility to require a tender guarantee from bidders. It is relevant to understand to what extent this provision is used by contracting authorities.

Some sectors might be more prone to use bid bonds, therefore considering adding sub-indicators by procurement object could bring a value added to the measurement framework and the underlying analysis.

3.2.7. Efficiency indicators – Effectiveness of contract performance

Public procurement can be impacted by a wide range of risks that can affect the procurement process itself, as well as broader risks to projects or service delivery. Risks do not occur only during the tendering process, but over the life of the contract or the life of the procured asset (OECD, 2023^[54]).

The contract management phase of the procurement cycle is often overlooked when it comes to generating added value from procurement processes, but actually it can play a significant role (OECD, 2023^[5]). Aware of this strategic role, the Hungarian government introduced four efficiency indicators dedicated to the contract management phase.

31 Share of the number of contracts that were fully terminated in the course of contract performance

A contract can be terminated for several reasons. It is then relevant to understand the number and share of contracts that were terminated during the contract management phase. This indicator is one of the seven indicators part of the Hungarian commitments under the conditionality procedure.

However, some issues leading to the termination of a contract might be specific to some sectors. Therefore, considering adding sub-indicators by procurement object could bring a value added to the measurement framework and the underlying analysis. To support the analysis of the sub-indicator on “procurement object” it could be interesting to also look at CPV divisions when relevant. This analysis cannot be included as a sub-indicator as it would entail adding 45 additional sub-indicators.

32 Share in value of contracts that were fully terminated in the course of contract performance

In addition to the indicator on the contracts that were terminated during the contract management phase in terms of numbers, it is relevant to also have the information in terms of value. Like the indicator in numbers, considering adding sub-indicators by procurement object could bring a value added to the measurement framework and the underlying analysis.

33 Number and share of contracts affected by contract modification

When a public contract needs to be modified, the starting assumption is that the modification will trigger the requirement for a new competitive public tender process. It is not generally permitted for a contracting authority and an economic operator to agree to change an existing contract. In practice, however, the limited modification of an existing public contract can be necessary. The agreement to change the contract should not represent a breach of the principles of transparency and equal treatment. Contracting authorities and economic operators might be faced with legitimate situations that require changes in the contract (OECD-SIGMA, 2016^[55]).

In Hungary, modification of contracts is subject to PPL rules and PPA monitoring. The PPA carries out this monitoring task according to an action plan (set up for each budgetary year and published on the PPA’s webpage). If the PPA finds that the amendment or the execution of the procurement breached the law, it is obliged to initiate the review procedure of the PPAB. It is also required to submit a motion in court to declare the modification of a contract illegal.

It is relevant to understand to which extent contracting authorities are modifying their contracts. Here again, considering adding sub-indicators by EU vs national procedures, EU vs domestic funds and procurement object could bring a value added to the measurement framework and the underlying analysis.

Furthermore, in specific cases, a contract could be modified more than once, it could be relevant to add a sub indicator on the average number of modifications.

Last, the methodology mentions that this indicator does not include contracts concluded under framework agreements and design contests. The methodology should clarify if contracts concluded under a DPS are included.

34 Share of contracts (in numbers) where there was a delay in the performance of the contract (compared to the originally planned deadline)

Goods, services and public works should be delivered at the time mentioned in the contract. A delay in contract performance could have significant impact on public service delivery. However, in practice, different circumstances could explain the need to change the initial final day for the performance of a contract.

It is relevant to understand the share of contracts with delays. This indicator is one of the seven indicators part of the Hungarian commitments under the conditionality procedure. Considering adding sub-indicators by EU vs national procedures, EU vs domestic funds and procurement object could bring a value added to the measurement framework and the underlying analysis.

Furthermore, the methodology mentions that this indicator does not include contracts concluded under framework agreements and design contests. The methodology should clarify if contracts concluded under a DPS are included.

35 Share of contracts affected by cost overruns

Like delays in the performance of contracts, different circumstances could explain cost overruns. For instance, wrong estimation of the value of the contract, but also foreseen external shocks, such as Russia's war of aggression against Ukraine, that are increasingly affecting our globalised economies, and thus the prices of goods and services (OECD, 2023^[44]). The Hungarian measurement framework mentions the share of contract affected by cost overruns as an indicator which is one of the seven indicators part of the Hungarian commitments under the conditionality procedure.

This indicator is complemented by two sub-indicators: ii) the volume of contracts affected by cost overruns in HUF and ii) cost overrun expressed as a percentage. These two sub-indicators could be considered as separate indicators as they do not represent a breakdown of the main indicator. Like the indicators on delays, considering adding sub-indicators by EU vs national procedures, EU vs domestic funds and procurement object n could bring a value added to the measurement framework and the underlying analysis.

Furthermore, the methodology mentions that this indicator does not include contracts concluded under framework agreements and design contests. The methodology should clarify if contracts concluded under a DPS are included.

3.2.8. Efficiency indicators – Competition

As mentioned in Section 2.1, competition issues and more particularly single bids (contracts awarded in procedures where there was only one bidder) triggered the development of the measurement framework. While different indicators of the Hungarian measurement framework can have an impact on competition

(OECD, forthcoming^[11]), some specific indicators are captured in a dedicated subcategory of the framework.

36 Number of preliminary market consultations

Buyers should undertake market analysis prior to tendering in order to better understand the range of goods and services on offer, market developments and innovation, what commercial models are available, the competitive landscape, and the specific capabilities of SMEs, etc. (OECD, 2018^[56]). Engaging with market actors is key to have a clear understanding of the market. This could be performed through different ways including through the “preliminary market consultation” (PMC).

In Hungary, Article 28 of the PPL provides contracting authorities with the possibility before launching a procurement procedure, to hold a PMC with independent experts, public authorities and market participants in order to prepare the procurement procedure and to provide economic operators with information on the planned public procurement opportunity and the requirements thereof (Hungarian government, 2021^[12]). This obligation is at the procedure level and not at the “lot” or “contract” level. The methodology mentions that the breakdown by year is the year of publication of the contract award notice. However, in a specific procedure where a PMC is used it is possible to have contracts awarded in different years (for instance if one lot has been challenged and then awarded the next year). The methodology should therefore clarify this point.

37 Number of comments received during preliminary market consultations

To understand if PMCs are effective in engaging the market, it is relevant to assess the number of comments received. However, this number in absolute value cannot give alone a real sense of how active economic operators are in providing comments. It could be interesting to explore the average number of comments received in a specific procedure and to also undertake this analysis per procurement object.

38 Share in number of lots awarded to one bidder

As described in Figure 2.1, the proportion of single bid procurement remains among the highest in the European Union. Therefore, it is particularly relevant to have a dedicated indicator covering this issue and following the methodology used in the Single market scoreboard. This indicator is one of the seven indicators part of the Hungarian commitments under the conditionality procedure.

The exact methodology used for this indicator is not described in Annex 3 of the report although the data is based on EKR; information on the methodology is available in Annex 1 of the report which focuses on single bids. The Hungarian government would benefit from including the detailed methodology used for this indicator in the measurement framework.

The indicator includes several sub-indicators that are necessary to further understand the extent of the issue and that can support the government to take informed decisions: i) EU vs national procedures, ii) EU vs domestic funding, iii) procurement object, iv) CPV divisions and v) place of performance of the contract (county). Although not formally considered as sub-indicators, Annex 1 of the report also provides for a combination of the different sub-indicators (i.e. EU vs national procedures and procurement object).

Furthermore, as mentioned earlier the PPA and the PMO are using different methodologies to calculate this indicator. Indeed, the PPA bases its calculations on the number of bids submitted at the procedure level (and not at the lot level) while the PMO calculates this indicator based on the number of bids submitted per lot for contracts awarded. As such, for instance, if one procurement procedure includes 10 lots, and for each lot only one bid is submitted, the PPA will account this as a procurement procedure with 10 bids (thus not considered as a single bid procurement), while the PMO will account 10 lots or contracts awarded to one supplier. This discrepancy can drastically change the findings regarding single bid procurement and

impacts the efficiency and outcomes of public procurement procedures. Although PPA committed to publish results using the two methodologies, the PPA and PMO should initiate discussions to ensure the use of one methodology at the national level capturing the reality of the level of competition in the public procurement market.

39 Share in value of lots awarded to one bidder

In addition to understanding the share of single bids in terms of numbers, it is relevant to have a similar analysis in terms of value.

40 Median number of bids received per lots awarded

Another indicator that is relevant to assess the level of competition in the performance measurement framework is the median number of bids received per lot in public procurement procedures. The median is sometimes used as opposed to the average when there are outliers in the sequence that might skew the average of the values. Through this indicator, the Hungarian government could have a good understating of the practices in terms of bidding. Considering adding sub-indicators by EU vs domestic funds, procurement object and main CPV division could bring a value added to the measurement framework and the underlying analysis.

41 Mode number of bids received per lots awarded

Not initially foreseen, the Hungarian government added the “mode number of bids received” as an indicator. The mode is the value that occurs most frequently in a data series, this could help to understand what the most frequent number of bidders in the public procurement market is. Considering adding sub-indicators by EU vs domestic funds, procurement object and main CPV division could bring a value added to the measurement framework and the underlying analysis.

42 Number of decisions establishing a breach by the Competition Authority in public procurement cartel cases

As mentioned in Section 2.2.2, the competition authority could play a key role in enhancing competition in the public procurement market as it is responsible for safeguarding competition and it has the mandate to investigate public procurement cartels and take actions against anti-competitive behaviours. The number of decisions in relation to public procurement where the competition authority issued a decision establishing a breach is relevant but should be compared to the number of cases submitted/investigated by the competition authority. This additional analysis could be introduced as a sub-indicator.

3.2.9. Efficiency indicators – Capacity

The capacity of the public procurement workforce is a crucial element of a sound procurement system that delivers efficiency and value for money in the use of public funds (OECD, 2023^[57]). However, public procurement through its strategic nature requires a more complex skillset for public procurement officials that implement public procurement procedures. Aware of the key role of capacity, the Hungarian government included eight dedicated indicators covering this area that are calculated using data collected through the general survey.

43 The organisation has its own methodology for measuring its procurement performance

It is relevant to understand if contracting authorities have developed a methodology to measure public procurement performance. This indicator could signal the level of maturity of the entity in this area.

44 Use of services of an external consultant with expertise in the subject matter of the procurement have been used by the organisation

Efficient public procurement requires a specific “technical” expertise in relation to the subject matter of the procurement. This lack of expertise may impact public procurement outcomes. Aware of the potential impact of the knowledge and expertise on public procurement outcomes, the Hungarian framework includes a dedicated indicator to understand whether contracting authorities are using external consultants to provide technical expertise.

This indicator is complemented by a sub-indicator providing a breakdown by procurement object. In addition to tissues related to the design of the survey (in particular regarding the need to clarify the time period considered), the extract methodology requires to be added to the measurement framework.

45 Employment of an Accredited Public Procurement consultant or a procurement expert to perform procurement consultancy tasks.

Contracting authorities may employ accredited public procurement experts or non-accredited ones to perform procurement tasks throughout the procurement cycle. This indicator aims understanding if contracting authorities employ these experts.

46 Reasons for the organisation to use the services of an external consultant

Contracting authorities can use the services of external consultants for different reasons. It is relevant to understand these reasons to take informed decisions. The methodology should list all the potential reasons as listed in the question survey.

47 Percentage of procedures involving external experts

In addition to understanding if contracting authorities rely on external consultants to conduct or manage their procurement activities, it is relevant to understand the share of procedures where external experts or consultants are involved. The extract methodology used to calculate this indicator should be specified in the measurement framework and in the survey.

48 Number of staff involved in public procurement.

It is important to understand the public procurement capacity within contracting authorities in terms of number of staff. As mentioned in Section 2.3.4, the question in the survey could be improved to bring more clarity (by mentioning “full staff equivalent”) and this should be reflected in the methodology that should be part of the measurement framework. Furthermore, a sub indicator capturing the number of accredited public procurement experts could further enrich the analysis.

49 Number of staff with higher vocational training in public procurement

While it is relevant to know the number of employees that benefited from higher vocational training, it is however important to define “vocational training” in the survey and in the methodology to ensure a common understanding of the concept.

50 Number of staff involved in the management of public procurement procedures in the institution who have received external or internal training in public procurement in a specific year

Like the previous indicator, it could be relevant to provide a clear definition of internal and external trainings and to avoid overlaps in responses with vocational trainings.

3.2.10. Efficiency indicators – Centralisation

When used adequately, centralisation is a key tool to achieve efficiency gains (OECD, 2015^[8]). The Hungarian measurement includes a dedicated sub-category to centralisation that includes 20 indicators. These indicators were calculated based on responses to the survey that was sent to the four main CPBs in the country.

51 Number of contracting authorities using CPB services per CPB in a given year

Evaluating the efficiency of CPBs requires understanding to which extent contracting authorities are using their services. However, it is particularly relevant to understand those who are using CPB services on a voluntary basis or on a mandatory basis. The Hungarian measurement framework includes an indicator on the “Number of contracting authorities using CPB services per CPB in a given year” with a sub-indicator aiming at capturing the number of contracting authorities using CPB services on a mandatory and voluntary basis. It could be interesting for the Hungarian government to undertake this analysis by main procurement categories such as ITC (Information and communication technology), office furniture, medical goods, services, etc. The methodology to calculate this indicator should be described in the measurement framework.

52 Number of contracts concluded under framework agreements or dynamic purchasing systems of CPBs per CPB in a given year

While the number of contracting authorities using CPB services could be an interesting indicator to capture the activities of CPBs, it is relevant to also have an indicator on the number of contracts concluded under framework agreements or DPSs. However, it is not clear if this indicator also includes dedicated framework agreements concluded by a CPB on behalf of a specific contracting authority. The methodology to calculate this indicator should clarify this point and be reflected in the measurement framework.

The indicator also includes a sub-indicator on the number of contracts awarded under framework agreements, it could be beneficial to also have contracts derived from DPSs.

Furthermore, it could be interesting to explore as a sub-indicator contracts that were concluded by the CPB on a mandatory and voluntary basis.

53 Number of contracts concluded with SMEs/CPB in a given year

One of the main criticisms of CPBs is related to the size of their contracts as they might not be suitable for SMEs to participate and win the contract. Therefore, it is relevant to have an indicator on the number of contracts concluded with SMEs. However, it is also not clear in this indicator if it includes dedicated contracts conducted by CPBs on behalf of a specific contracting authority. This point should be clarified in the methodology that should be reflected in the measurement framework.

54 Number of requests received by CPB from contracting authorities to conduct procurement procedures by themselves.

As mentioned in the first report of the measurement framework (Hungarian Government, 2023^[7]), when it is mandatory to use CPB services, the regulatory framework provides the possibility for contracting authorities to conduct their procurement procedures by themselves in specific circumstances (for KEF) or based on a decision of the central purchasing body. There can be different reasons for contracting authorities for requesting to conduct the procurement procedures on their own, including the lack of competitiveness of the CPB offer. This indicator aims at measuring the number of requests received by CPBs from contracting authorities to conduct procurement procedures.

55 Number of procurement procedures that have been referred back for own responsibility by the CPB

CPBs receiving requests from contracting authorities to conduct procurement procedures by themselves may accept or reject these requests. Therefore, this indicator aims at measuring the number of procurement procedures where the request has been accepted by CPBs. Instead of numbers, it could be more relevant to present the data in terms of share of procurement procedures that have been referred back for own responsibility by the CPB (compared to the number of requests).

56 Share of the value of successful purchases conducted in a specific year under the framework agreement to the total value of the framework agreement concluded in a given year/ CPB

This indicator aims at understanding the use of the framework agreement in terms of value. It could also enable to assess if the estimated value of the FA is correct (in case of overuse or underuse). It could be interesting to have a specific indicator by procurement category.

57 Procurement capacity in each CPB in a specific year (in number)

CPBs are usually considered as centre of excellence with a capable procurement workforce. As mentioned earlier, capacity is key for a sound procurement system and to achieve value for money. Therefore, it is relevant to understand the capacity available within contracting authorities. This indicator includes a sub-indicator that aims to capture if the experts employed are accredited or not.

In terms of methodology, it is particularly important to ensure the comparability of data and thus to mention in the survey and in the methodology to be added to the measurement framework that this data should be provided “full staff equivalent”.

58 Staff with a postgraduate certificate on public procurement/ CPB

For internal staff of the CPB, it is interesting to have data on their educational background and to understand if some of them have a postgraduate certificate on public procurement.

59 Number and percentage of staff trained externally or internally in public procurement in a given year /CPB

Supporting a learning culture in the public sector will ensure that skills are reinforced and regularly updated. It allows public officers to keep up with the fast-changing nature of work (OECD, 2023^[57]). Therefore, it is important to regularly monitor the number public procurement officials trained externally or internally.

60 Use of CPBs of external consultants for the implementation of public procurement procedure (Yes/no)

While CPBs are often considered as centre of expertise, they may also rely on external consultants to support them in their procurement activities. Therefore, it is relevant to understand if CPBs are using external consultant services. However, the indicator and therefore the survey should also mention a specific timeframe considered as some CPBs were created many years ago. A detailed description of this indicator should also be added to the measurement framework.

Furthermore, it is possible to rely on external consultants with or without accreditation, a sub-indicator providing this information could further enrich the measurement framework.

61 Average use by a CPB of accredited procurement consultants' services for procurement consultancy tasks per 10 procedures.

While some CPBs may be using accredited procurement experts, it is relevant to understand how often, in terms of number of procedures those services are used. The terminology “consultancy tasks” should be defined in the methodology that has to be included in the measurement framework.

62 Share of procurement procedures of CPBs involving the services of external consultants for public works per CPB

This indicator aims at measuring the use of external consultants involved in public works procedures. It is not clear if this indicator covers all external consultants or only the accredited ones. This clarification could be brought in the methodology that should be included in the measurement framework.

63 Share of Procurement procedures of CPBs involving the services of external consultants for services per CPB

This indicator aims at measuring the use of external consultants involved in the procedures aiming at procuring services. It is not clear if this indicator covers all external consultants or only the accredited ones. This clarification could be brought in the methodology that should be included in the measurement framework.

64 Share of procurement procedures of CPBs involving the services of external consultants for goods per CPB

This indicator aims at measuring the use of external consultants involved in the procedures aiming at procuring goods. Like the two previous indicators, it is not clear if this indicator covers all external consultants or only the accredited ones. This clarification could be brought in the methodology that should be included in the measurement framework.

65 Existence of a system to monitor market price evolution of procurement items covered by FAs/ CPB

Public procurement is an essential economic activity. Given the role of CPBs, it is particularly relevant for them to monitor the market price evolution of the procurement categories covered in the FAs and DPSs they manage. Therefore, it is relevant to understand if they have a dedicated system to monitor market prices. However, given the activities of CPBs, this system should not be limited to FAs it could also include DPSs. Indeed, even though DPSs by their nature are more competitive as they ensure an open competition throughout their duration, it is still important to ensure that procurement outcomes are competitive compared to market prices.

66 Percentage of price reduction compared to the original price as a result of reopening competition for a given year

This indicator aims at measuring price reductions that were achieved in a given year as a result of reopening competition. This indicator lacks clarity as it is not clear what is meant by several terminologies used: “reopening competition” and “original price”. Discussions with the PMO highlighted that this indicator is a “perception indicator” covering only framework agreements. It is therefore suggested to clarify it in the methodology and in the survey and to define these terminologies to ensure consistent and comparable data. Furthermore, this indicator may be procurement category specific, it would be recommended to add a sub-indicator by main CPV divisions managed by CPBs.

67 Percentage of savings achieved through centralisation in a given year (compared to market price)

While understanding how the prices paid by contracting authorities through the use of CPB services are positioned compared to market prices is relevant, in practice the calculation of this indicator and in particular the assessment of “market price” could be challenging. Each CPB may have its own methodology to assess savings achieved which impacts the consistency and comparability of data. Furthermore, there is no possibility for the PMO to assess the “veracity” of the data provided by CPBs.

The PMO in collaboration with CPBs should develop jointly a methodology that will be used regularly by CPBs to calculate their savings.

68 Percentage of time savings achieved through centralisation

One of the arguments for using CPB services is the time saved by contracting authorities. Therefore, it is interesting to have information on this area. However, it is not clear how CPBs will have information on time saved by contracting authorities as this may depend on the internal process and capacities of each of them. The relevance of this indicator is therefore questioned. If the PMO intends to keep this question, a detailed methodology should be provided in the survey and in the measurement framework to ensure a common understanding of the question.

69 Operation of an online marketplace or catalogue specifically for procurement below the threshold/CPB

E-catalogues or marketplaces are considered as a tool to improve procurement procedures, reduce duplication and achieve greater value for money. This indicator aims at understanding if CPBs are operating an online marketplace or catalogues for below threshold procurement.

70 Frequency of conducting a preliminary market analysis before launching public procurement procedures

Given the size of contracts launched by CPBs, it is particularly relevant for them to conduct a market analysis prior to launching a procurement process. This indicator aims at understanding if conducting a preliminary market analysis is a common practice in CPBs. This indicator is based on a survey question that provides four possibilities: i) Yes, regularly, ii) Yes, but only occasionally, iii) Not common, but has happened, iv) Not at all common and has never been performed. However, no definition is provided for each possibility (e.g. how to differentiate between “Yes, occasionally” and “not common, but has happened”). In addition, the question, and thus the indicator does not mention the specific year or time considered. The question in the survey should be reviewed to provide the necessary clarity and the exact methodology, including definitions, should be described in the measurement framework.

71 Existence of a methodology for the preliminary assessment of procurement needs

Given the role of CPBs of aggregating needs of different contracting authorities, it is relevant to understand if they have a methodology to assess the needs of the different users of their services.

72 Existence of a framework for measuring the effectiveness of the public procurement procedures carried out (indicators for monitoring the effectiveness of the CPB and of each procurement procedure and their evaluation)

CPBs can largely contribute to enhance the efficiency of public procurement processes. It is therefore relevant to understand if they have in place a framework for measuring the effectiveness of the procedures they carry out.

3.2.11. Strategic indicators

Public procurement is increasingly recognised as a strategic instrument for achieving government policy goals aligned with the 2030 Agenda for Sustainable Development (SDGs), including promoting a circular and green economy, stimulating innovation, supporting small and medium-sized enterprises (SMEs), and promoting ethical behaviour and responsible business conduct (OECD, 2023^[57]).

The Hungarian public procurement measurement framework includes five indicators to capture the use of public procurement to achieve some policy objectives.

73 Share of lots with environmental aspects (in numbers)

Many economies are using public procurement to advance the environmental agenda in line with national policies and international commitments (OECD, 2023^[2]). It is therefore relevant to include a dedicated indicator to understand to which extent public procurement contracts include environmental aspects and thus contribute to national and international commitments.

This indicator is complemented by a sub-indicator covering CPV divisions. Considering adding sub-indicators by EU vs domestic funds, procurement object could bring a value added to the measurement framework and the underlying analysis.

Moreover, the methodology used to calculate this indicator is described in Annex 3. However, the methodology could be improved by providing a detailed explanation of what is meant by environmental aspects and how they can be included in the tender documentation (e.g. award criteria, qualification criteria, technical specifications, contract performance clauses, etc.).

74 Share of lots with social aspects (in numbers)

Understanding how public procurement contributes to enhance social conditions in a relevant indicator to monitor. This indicator is complemented by a sub-indicator covering CPV divisions. However, similarly to the indicator on the environmental aspects, it could be beneficial to consider; i) adding sub-indicators by EU vs domestic funds, procurement object could bring a value added to the measurement framework and the underlying analysis, ii) improving the methodology by providing a detailed explanation of what is meant by social aspects and how they can be included in the tender documentation (e.g. award criteria, qualification criteria, technical specifications, contract performance clauses, etc.) and, iii) adding a dedicated indicator in terms of value of lots.

75 Share in number of lots awarded to micro and SMEs

SMEs represent most businesses in the country, understanding to which extent they access public procurement market could help policy makers to take the necessary actions. The indicator on the share of lots awarded to SMEs is one of the seven indicators part of the Hungarian commitments under the conditionality procedure. It is complemented by two sub-indicators, one in relation to the CPV divisions and one another one in relation to CPV groups.

Considering adding sub-indicators by EU vs domestic funds, foreign vs. domestic SMEs, could bring a value added to the measurement framework and the underlying analysis. The share of lots awarded to different categories of SMEs (micro vs small vs medium enterprises) were already calculated in the first report of the measurement framework but could be added formally as sub-indicators. Furthermore, in addition to the “number of lots”, it could be relevant to have a dedicated indicator in terms of value of lots. As framework agreements are sometimes considered an impediment to SME participation due to their large value, it could be useful to add a sub-indicator on the number and value of framework agreements awarded to SMEs.

The methodology mentions that in case of consortium, data considered is the one of the lead bidder, which might impact the representativity of SMEs and in particular of micro enterprises. Therefore, it is recommended to explore also this indicator without integrating consortia.

76 Share of bids submitted by micro and SMEs (among the valid bids)

In addition to understand the share of contracts awarded to SMEs, it is also relevant to assess their level of participation in the public procurement market which is the purpose of this indicator. This indicator is also complemented by two sub-indicators one in relation to the CPV divisions and one another one in relation to CPV groups. Considering adding a sub-indicator on the categories of SMEs (micro vs small vs medium enterprises) could bring a value added to the measurement framework and the underlying analysis.

The methodology mentions that in case of consortium, data considered is the one of the lead bidder, which might impact the representativity of micro enterprises. Therefore, it is recommended to also explore this indicator without integrating consortia.

77 Share of contracts awarded (in numbers) where the full life cycle of the contract or life cycle costing was taken into account

The LCC approach moves beyond the initial purchase price and evaluates all other significant cost flows over the entire life period of works, supplies or services, such as installation, operation, maintenance and end-of-life (disposal) costs (OECD, 2022^[19]).

The Hungarian regulatory framework for public procurement provides ample room for the use of green public procurement approaches and LCC methodologies. However, in practice the use of LCC is limited. To enhance the use of LCC, the Hungarian government included specific measures to promote LCC as part of its green public procurement strategy (source). It is therefore relevant to monitor the use of LCC through a dedicated indicator. This indicator is one of the seven indicators part of the Hungarian commitments under the conditionality procedure. It should be linked with the indicator on the use of different award criteria.

3.3. Additional indicators to consider for improving the measurement framework

As mentioned earlier, the measurement framework developed by the Hungarian authorities goes beyond their initial commitments. While the previous section provides recommendations on how to improve the existing indicators, this section aims at providing guidance to the Hungarian authorities on the areas that are not currently in the framework and that could be explored to further enrich the framework in light of the issues faced by the Hungarian public procurement system. However, it is first recommended to strengthen the existing framework before enriching it.

3.3.1. Providing general data on the main breakdowns envisaged in indicators to understand their relevance

Many indicators include sub-indicators representing a breakdown by for instance “EU and national procedures”, procurement object, CPV divisions or place of performance. However, there are no specific indicators in the framework covering these areas which does not enable to understand the relevance of these breakdowns and thus of the sub indicators. For instance, PMO data shows that between 2021 and 2023, procurement procedures using EU funds may represent between 25 to 38% of the total procurement volume in Hungary which highlights the relevance of integrating this data in sub indicators.

3.3.2. Including indicators on “Values” of public procurement spent

Most of the indicators of the Hungarian framework are based on “number of lots” or “procurement procedures”. The Hungarian framework includes only 4 indicators based on values (see Table 3.2). While having the indicator in terms of numbers of lots or procedures is relevant, it is pivotal to also have indicators in terms of “value” to have a real picture of the practices and to draw the necessary conclusions. When relevant, the Hungarian government should consider integrating in the measurement framework indicators on “values” alongside indicators on “numbers”.

Table 3.2. Indicators of the Hungarian framework based on values

Indicator Number	Indicator
16	Share of lots (in values) of public procurement procedures conducted under Article 115 of the PPA
32	Share in value of contracts that were fully terminated in the course of contract performance
39	Share in value of lots awarded to one bidder
56	Share of the value of successful purchases conducted in a specific year under the framework agreement to the total value of the framework agreement concluded / CPB

Source: (Hungarian Government, 2022^[6])

3.3.3. Compliance: Considering integrity and control issues

As mentioned in Section 2.1, the Hungarian public procurement system faces issues in relation to **integrity** and the **monitoring/control** of the public procurement. Introducing indicators related to these issues could further enhance the measurement framework system.

On the remedies system, it could be relevant to explore, the **duration of the appeals procedures before the relevant court** and the share of preliminary dispute resolutions that were upheld or rejected (either on the substance or procedural issues).

3.3.4. Efficiency: further indicators to assess the level of competition in the public procurement market

For competition purposes and to assess the efficiency of procurement outcomes, it is relevant to include several indicators listed in Table 3.3. With regards to access to procurement opportunities, it is relevant to have data on **sub-contracting** and **consortia** formed by economic operators and to have an additional indicator on the use of PMC (complementing indicators 36 and 37 on PMCs)

The framework includes dedicated indicators on framework agreements, it could be relevant to have more information **on DPSs**, including the average number of economic operators’ part of the DPS, the average number of economic operators to whom a contract under a DPS is awarded and the average number of extra suppliers joining the DPS during its execution.

In addition to the **average value of lots**, it is relevant to include several indicators and sub-indicators on the **number of bids**, more specifically on the “average number of bids”, “the share of bids submitted by domestic vs foreign suppliers” (to understand how is defined the relevant market), and the “average number of bids” when i) using BPQR, ii) using the lowest price criterion, iii) including environmental aspects, and iv) including social aspects. These last indicators aim at understanding if including quality criteria or aspects in relation to policy objectives have an impact on competition.

In addition, some indicators are recommended to assess the market concentration aiming at assessing the extent of domination of some economic operators in a particular market. These indicators are not the traditional ones used in the calculation of market concentration (like the Herfindahl index); however, they can give an idea about market concentration and domination. Therefore, it is suggested to assess the number of contracts awarded to the top X suppliers and the value of contracts awarded to the top X suppliers (“X” to be decided by the Hungarian government). These indicators could be developed together with relevant stakeholders including the competition authority and the integrity authority.

Given that **payment delays** impact also the access to procurement opportunities, it is relevant to have a dedicated indicator to understand what the real practice in light of the legal requirement is. While this data is not available centrally, PMO should work first towards accessing this data before including a dedicated indicator in a later stage.

Table 3.3. Additional recommended indicators on the “efficiency” of the public procurement system

Area	Indicator	Sub-indicators
Sub-contracting	Share of contracts subcontracted (in numbers)	<ul style="list-style-type: none"> by source of funding (EU vs domestic funding) by EU and national procedures by procurement object by place of performance in CPBs
	Share of contracts sub-contracted (in value)	<ul style="list-style-type: none"> by source of funding (EU vs domestic funding) by EU and national procedures by procurement object by place of performance in CPBs
Consortium	Share of contracts with a consortium (in numbers)	<ul style="list-style-type: none"> by source of funding (EU vs domestic funding) by EU and national procedures by procurement object by place of performance in CPBs
	Share of contracts with a consortium (in value)	<ul style="list-style-type: none"> by source of funding (EU vs domestic funding) by EU and national procedures by procurement object by place of performance in CPBs
	Share of bids submitted by consortia	<ul style="list-style-type: none"> by source of funding (EU vs domestic funding) by EU and national procedures by procurement object by place of performance in CPBs
Engaging the market	Share of procedures launched where a PMC has been held	<ul style="list-style-type: none"> by EU vs domestic funds by procurement object use by CPBs
Number of bids	Average number of bids	<ul style="list-style-type: none"> per procurement object CPV codes geographical area

Area	Indicator	Sub-indicators
		<ul style="list-style-type: none"> • in CPBs • with and without a PMC • with mandatory vs voluntary PMC
	Share of bids submitted by domestic suppliers vs. foreign suppliers	
	Average number of bid when using BPQR	
	Average number of bid when using the lowest price criterion	
	Average number of bids when including environmental aspects	
	Average number of bids when including social aspects	
Value of lots	Average value of lots	
Market concentration	Number of contracts awarded to the top X suppliers	<ul style="list-style-type: none"> • by procurement object
	Value of contracts awarded to the top X suppliers	<ul style="list-style-type: none"> • by procurement object
Efficiency tools	Average number of economic operators' part of the DPS	<ul style="list-style-type: none"> • by procurement object • in CPBs
	Average number of economic operators to whom a contract under a DPS is awarded	<ul style="list-style-type: none"> • by procurement object • in CPBs
	Average number of extra suppliers joining the DPS during its execution	<ul style="list-style-type: none"> • by procurement object • in CPBs
Payment	Average payment deadlines (in days)	<ul style="list-style-type: none"> • by procurement object • CPV codes • Geographical area

3.3.5. Strategic public procurement: providing data on “values” and monitoring the implementation of innovation procurement

Indicator on strategic objectives could be further developed. Indeed, while some existing indicators can be considered as relatively advanced compared to other countries such as “the share of contracts for which the full life cycle of the contract or life cycle costing was taken into account”, other key aspects of strategic procurement such as **innovation** are not covered. Furthermore, all strategic indicators are considered only in terms of “numbers of lots”, adding indicators on **the value of lots** could further enrich the measurement framework. With the implementation of eForms, data on innovation will be available starting from 2025.

4 Communicating the results of a performance measurement framework

4.1. Improving the readability and structure of the report

4.1.1. *Providing the list of indicators and their value in a consistent way*

The Government published the results of the Hungarian performance measurement framework for the first time on 28 February 2023. Before its publication, the OECD was asked to provide comments on the draft report. Due to the short deadline, the OECD was not able to provide in-depth comments to the draft report but provided initial comments mainly focusing on the structure of the report, the presentation of the findings and policy recommendations and the readability of the report. The OECD acknowledged that the draft report included plenty of valuable and relevant information and figures on the performance of the Hungarian public procurement system based on the indicators and sub-indicators part the Hungarian framework but also on other information collected through surveys. It was also highlighted that for the reader, it might not be clear which exact indicators are part of the measurement framework and which data is only used to support the analysis. For instance, the report includes data on the “statutory fees” that contracting authorities must pay when conducting procedures, and “fees payable to central government purchasing bodies” which are not part of the indicator framework but represent a useful source of information for the reader. During the finalisation of the report, the PMO took some of the OECD comments on board and improved the structure and readability of the report. However, due to the time constraints, the report could have not been restructured completely.

To guide readers, the report on the performance of public procurement that is based on the Hungarian framework should at least recall the indicators and sub-indicators used as part of this framework and provide their results. A table providing an overview of all indicators could be added to the executive summary of the report. In addition, each chapter could start with the list of related indicators for readers interested in a specific area or section of the report to have a clear picture of the indicators covered. Furthermore, an independent document providing the list of indicators and their values could be published online.

Furthermore, some indicators and the related figures are well detailed in the report and others are more detailed in annexes of the report. The report should be consistent in the way it covers the different indicators. For instance, there is no figure in the report on some indicators (e.g. ratio of estimated value to contract price, number of staff who received a training in a specific year).

4.1.2. Providing concise findings of the report in the executive summary and the different chapters

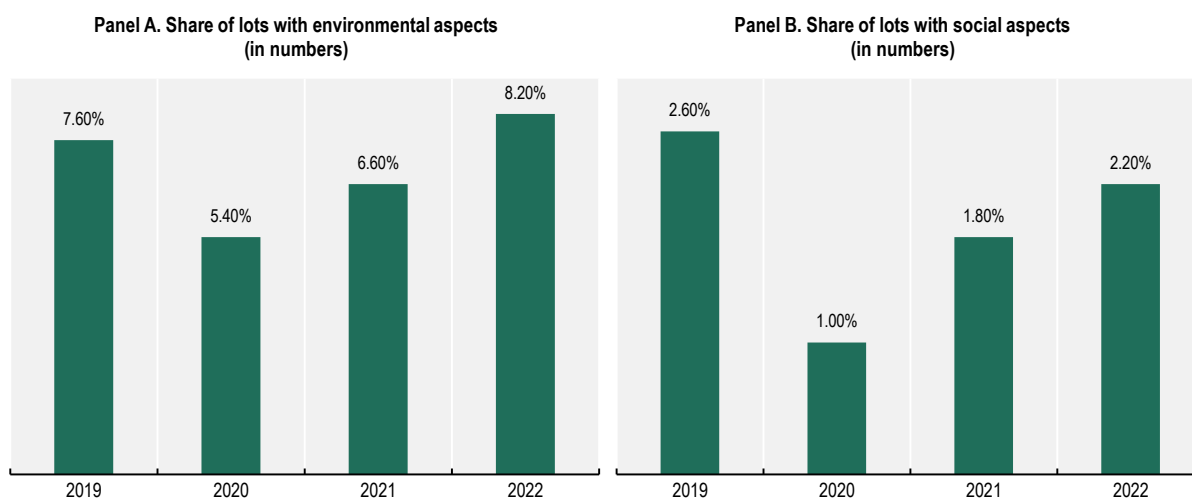
An executive summary is intended to provide readers with a general idea of what they can expect to learn from the report. It should also give readers who are more closely involved with the issue under discussion an overview of the main findings and recommendations they can digest easily and quickly. The executive summary is also of value as a document that can be used to promote the report to a wider audience (OECD, 2015^[58]).

In line with good practices, the report includes an executive summary with all relevant information. To enhance the readability of the report, it could be recommended to organise the executive summary by categories and sub-categories of the indicators of the Hungarian framework and to focus only on the main findings.

4.2. Clarifying how the results of the framework will be used for policy actions

One of the objectives of the Hungarian framework is to contribute to the identification of areas that require further policy action to achieve the policy objectives (Hungarian Government, 2022^[6]). When identifying these areas, it could be used by the government to identify the necessary actions to enhance the system in place when these actions fall under its remit (without a detailed description of the actions) and to mention them in relevant governmental documents including the action plan to increase competition in public procurement and relevant government decisions. When these actions do not fall under its remit, the government can support other stakeholders in taking the necessary actions.

The analysis of the report shows different areas where the Hungarian system is underperforming and that would require tailored policy actions. However, in the report the government does not make suggestions for the necessary actions to remedy the situation except for the low performance in terms of single bids where the government committed to develop a dedicated action plan that was published in March 2023 (Hungarian Government, 2023^[15]) and that will be updated in 2024. For instance, the report highlights a relatively low uptake of green and social procurement (see Figure below), however the report is silent about potential policy actions. Another relevant example is the relatively low number of public procurement challenges initiated by market players. While the root cause might be diverse, a policy action is needed to enhance the efficiency of the remedies system.

Figure 4.1. Uptake of green and social procurement in Hungary

Source: (Hungarian Government, 2023^[7])

Furthermore, in some cases, the report identifies some actions but does not specify the responsibilities of all relevant stakeholders. For instance, regarding the low numbers of employees receiving trainings in public procurement, the report concludes that “the continuous training of public procurement professionals and the improvement of the quality of the pool of professionals will remain an important task for contracting authorities in the future”. However, the PMO and the PPA could also contribute to ensuring further trainings to government officials (through government decisions mandating regular trainings, the provision of trainings, etc.). Therefore, the report should consider actions for all stakeholders to ensure the reliability of its conclusions.

In addition, the PMO should take the lead in some actions. For instance, the report highlights that none of the CPBs have a framework to monitor the effectiveness of public procurement, but half of them are willing to develop one. CPBs could ask for the support of PMO to develop a monitoring framework in line with the Hungarian measurement framework. As mentioned in Section 2.2.2, further collaboration with CPBs and CAs (beyond the provision of data) could strengthen the measurement framework and also ensure its use by key public procurement players.

4.3. Improving the analysis of the results of the indicators

Analysing the results of the various indicators is particularly relevant to take the necessary policy actions in case of need. The PMO used relevant data that goes beyond the value of indicators to analyse the results of some indicators. It used for instance feedback and complementary information through the surveys addressed to different stakeholders (contracting authorities, economic operators, procurement experts and CPBs) and used information available in legal documents (e.g. statutory fees regarding the remedies system).

For instance, to further understand the root causes behind the low level of competition in the public procurement market, the PMO addressed a specific question to the different stakeholders. The results of this questions are useful to support the analysis on single bids.

The analysis of the results of indicators could be improved in two regards. First, there could be further links between the results of the different indicators. Indeed, while the Hungarian framework includes 77

independent indicators and 57 sub-indicators, some of them could be considered as “integrated”, meaning that it is relevant linking indicators between them for a more meaningful analysis. For instance, it could be relevant to assess jointly the single bid indicator in the last years with the evolution of remedies fees, the number of infringements identified by the PPAB in relation to competition issues, the share of unsuccessful tenders due to single bids, etc.

Secondly, the results of some indicators would benefit from further explanations and analysis. For instance, the share of lots with social aspects decreased by around 60% between 2019 and 2020 (it moved from 2.6% to 1%). However, the report does not provide any insights or explanation.

4.4. Publishing information on the performance framework

The OECD Report on public communication highlights that the provision of accurate and timely information, alongside the opportunity for stakeholder participation and feedback, are essential elements of the democratic policy-making process. In addition, it has proven to be critical for policy implementation and compliance, and a prerequisite for transparent, accountable, and responsive public administrations (OECD, 2021^[59]).

Public procurement is an essential governmental activity representing a significant share of GDP impacting economies, societies and the environment. Therefore, in addition to ensuring available data and indicators on this key activity, it is essential for governments to ensure an adequate communication and promotion of the results of the measurement framework.

The report on the measurement framework was published in the EKR on 28 February 2023 in line with the commitments of the Hungarian Government. However, there was no communication to promote the publication of the results of the framework. As mentioned in Section 2.3.4, the Hungarian government could leverage different channels to disseminate and promote the results of the report including i) relevant stakeholders’ websites like the websites of the PPA, the Integrity Authority, the Competition Authority, the Hungarian Chamber of Commerce and Industry, etc. ii) the mobile application managed by the PPA, the “Daily Public Procurement” (Napi Közbeszerzés in Hungarian), iii) social media and press release sent to relevant medias. Furthermore, communication around the report could be tailored to the main audience of each communication mean and their level of knowledge on public procurement.

Furthermore, all documents related to measurement framework including the report are published on EKR. However, the website does not include a formal “webpage” dedicated to this topic that interested parties can consult to find all relevant information and documents. It is therefore, recommended to develop in EKR a dedicated webpage listing all relevant documents related to the public procurement performance measurement framework.

Annex A. List of indicators of the Hungarian public procurement measurement framework

	Category	Sub-category	Indicator
1	Compliance	Effectiveness of the remedies	Number of public procurement challenges
2	Compliance	Effectiveness of the remedies	Distribution of ex officio initiators
3	Compliance	Effectiveness of the remedies	Share of public procurement challenges out of the total number of public procurement procedures
4	Compliance	Effectiveness of the remedies	Share of successful public procurement challenges
5	Compliance	Effectiveness of the remedies	Share of public procurement procedures with a request for a preliminary dispute settlement as a percentage of all public procurement procedures
6	Compliance	Effectiveness of the remedies	Number of notifications of public interest received by the Public Procurement Authority
7	Compliance	Effectiveness of the remedies	Number of launched review procedures based on notifications of public interest received by the Public Procurement Authority
8	Compliance	Effectiveness of the remedies	Cost of public procurement challenges
9	Compliance	Effectiveness of the remedies	Average duration of redress procedures
10	Compliance	Effectiveness of the remedies	Number and share of judicial reviews in the number of appeals
11	Compliance	Effectiveness of the remedies	Number and percentage of challenges by contracting authorities against themselves out of the total number of challenges
12	Compliance	Legal compliance	Number of infringements broken down by the legal provision infringed
13	Compliance	Transparency	Share of lots (in numbers) of public procurement procedures launched by public notice among the lots awarded
14	Compliance	Transparency	Share of negotiated procedures without prior publication of a contract notice
15	Compliance	Transparency	Share of lots (in numbers) of public procurement procedures conducted under Article 115 of the PPA
16	Compliance	Transparency	Share of lots (in values) of public procurement procedures conducted under Article 115 of the PPA
17	Efficiency	Efficiency of public procurement procedures	Average time, in days, between the publication of the call for tender and the publication of the report on the award of the contract
18	Efficiency	Efficiency of public procurement procedures	Average time in days between the publication of the call for tender and the bid submission deadline
19	Efficiency	Efficiency of public procurement procedures	Average time in days between the bid submission deadline and the publication of the summary
20	Efficiency	Efficiency of public procurement procedures	Share of unsuccessful lots
21	Efficiency	Efficiency of public procurement procedures	Share of each reason of unsuccessful lots
22	Efficiency	Efficiency of public procurement procedures	Number and share of lots using efficient procurement techniques

	Category	Sub-category	Indicator
23	Efficiency	Efficiency of public procurement procedures	Average duration of framework agreements
24	Efficiency	Efficiency of public procurement procedures	Share of framework agreements concluded with one or multiple operators
25	Efficiency	Efficiency of public procurement procedures	Share of lots awarded in public procurement procedures using each evaluation criteria
26	Efficiency	Efficiency of public procurement procedures	Share of procurement procedures broken down into lots (as a percentage of the number of successful procurement procedures)
27	Efficiency	Cost-effectiveness /administrative costs	Cost for contracting authorities of running a public procurement procedure
28	Efficiency	Cost-effectiveness /administrative costs	Cost for economic operators of bidding in a public procurement procedure
29	Efficiency	Cost-effectiveness /administrative costs	Ratio of the estimated value of lots to the contract price for the awarded lots in public procurement procedures
30	Efficiency	Cost-effectiveness /administrative costs	Share of number of lots in which a tendering security has been lodged in respect of the number of lots awarded
31	Efficiency	Effectiveness of contract performance	Share of the number of contracts that were fully terminated in the course of contract performance
32	Efficiency	Effectiveness of contract performance	Share in value of contracts that were fully terminated in the course of contract performance
33	Efficiency	Effectiveness of contract performance	Number and share of contracts affected by contract modification
34	Efficiency	Effectiveness of contract performance	Share of number of contracts where there was a delay in the performance of the contract (compared to the originally planned deadline)
35	Efficiency	Effectiveness of contract performance	Share of contracts affected by cost overruns
36	Efficiency	Competition	Number of preliminary market consultations
37	Efficiency	Competition	Number of comments received during preliminary market consultations
38	Efficiency	Competition	Share in number of lots awarded to one bidder
39	Efficiency	Competition	Share in value of lots awarded to one bidder
40	Efficiency	Competition	Median number of bids received per lots awarded
41	Efficiency	Competition	Mode number of bids received per lots awarded
42	Efficiency	Competition	Number of decisions establishing a breach by the Competition Authority in public procurement cartel cases
43	Efficiency	Capacity	The organisation has its own methodology for measuring its procurement performance
44	Efficiency	Capacity	Use of services of an external consultant with expertise in the subject matter of the procurement have been used by the organisation
45	Efficiency	Capacity	Employment of an Accredited Public Procurement consultant or a procurement expert to perform procurement consultancy tasks
46	Efficiency	Capacity	Reasons for the organisation to use the services of an external consultant
47	Efficiency	Capacity	Percentage of procedures involving external experts
48	Efficiency	Capacity	Number of staff involved in public procurement
49	Efficiency	Capacity	Number of staff with higher vocational training in public procurement
50	Efficiency	Capacity	Number of staff involved in the management of public procurement procedures in the institution who have received external or internal training in public procurement in a given year
51	Efficiency	Centralisation	Number of contracting authorities using CPB services per CPB in a given year
52	Efficiency	Centralisation	Number of contracts concluded under framework agreements or dynamic purchasing systems of CPBs per CPB in a given year
53	Efficiency	Centralisation	Number of contracts concluded with SMEs/CPB in a given year

	Category	Sub-category	Indicator
54	Efficiency	Centralisation	Number of requests received by CPB from contracting authorities to conduct procurement procedures by themselves.
55	Efficiency	Centralisation	Number of procurement procedures that have been referred back for own responsibility by the CPB
56	Efficiency	Centralisation	Share of the value of successful purchases conducted in a specific year under the framework agreement to the total value of the framework agreement concluded / CPB
57	Efficiency	Centralisation	Procurement capacity in each CPB in a specific year (in number)
58	Efficiency	Centralisation	Staff with a postgraduate certificate on public procurement/ CPB
59	Efficiency	Centralisation	Number and percentage of staff trained externally or internally in public procurement in a given year /CPB
60	Efficiency	Centralisation	Use of CPBs of external consultants for the implementation of public procurement procedure (Yes/no)
61	Efficiency	Centralisation	Average use by a CPB of accredited procurement consultants services for procurement consultancy tasks per 10 procedures.
62	Efficiency	Centralisation	Share of procurement procedures of CPBs involving the services of external consultants for public works per CPB
63	Efficiency	Centralisation	Share of procurement procedures of CPBs involving the services of external consultants for services per CPB
64	Efficiency	Centralisation	Share of procurement procedures of CPBs involving the services of external consultants for goods per CPB
65	Efficiency	Centralisation	Existence of a system to monitor market price evolution of procurement items covered by FAs/ CPB
66	Efficiency	Centralisation	Percentage of price reduction compared to the original price as a result of reopening competition for a given year
67	Efficiency	Centralisation	percentage of savings achieved through centralisation in a given year (compared to market price)
6	Efficiency	Centralisation	Percentage of time savings achieved through centralisation
69	Efficiency	Centralisation	Operation of an online marketplace or catalogue specifically for procurement below the threshold/CPB
70	Efficiency	Centralisation	Frequency of conducting a preliminary market analysis before launching public procurement procedures
71	Efficiency	Centralisation	Existence of a methodology for the preliminary assessment of procurement needs
72	Efficiency	Centralisation	Existence of a framework for measuring the effectiveness of the public procurement procedures carried out (indicators for monitoring the effectiveness of the CPB and of each procurement procedure and their evaluation)
73	Strategic		Share of lots with environmental aspects (in numbers)
74	Strategic		Share of lots with social aspects (in numbers)
75	Strategic		Share in number of lots awarded to micro and SMEs
76	Strategic		Share of bids submitted by micro and SMEs (among the valid bids)
77	Strategic		Share of contracts awarded (in numbers) where the full life cycle of the contract or life cycle costing was taken into account

Annex B. Summary of recommendations and implementation timeline

Recommendations	Suggested timeline for implementation		
	Short term	Medium Term	Long term
Chapter 2: Key aspects to consider for the development of a procurement measurement framework			
<ul style="list-style-type: none"> Ensuring a more diverse background (including on economics and statistics) of working group members 		X	
<ul style="list-style-type: none"> Providing the adequate time for each member to provide more valuable comments. 	X		
<ul style="list-style-type: none"> Involving more stakeholders in the development and analysis of the measurement framework 	X		
<ul style="list-style-type: none"> Raising awareness (PPA and PMO) within contracting authorities on the importance of ensuring a good quality of data entered manually. 	X		
<ul style="list-style-type: none"> Integrating CPBs systems and the PPAB system with EKR to enhance the efficiency of the monitoring of the public procurement system¹ 			X
<ul style="list-style-type: none"> Enhancing the collaboration with stakeholders providing data on the data classification 	X		
<ul style="list-style-type: none"> Improving the design of the surveys designed for the performance measurement framework 	X		
<ul style="list-style-type: none"> Ensuring a larger number of responding stakeholders to the surveys designed for the performance measurement framework 	X		
<ul style="list-style-type: none"> Considering the frequency of launching surveys (on an annual basis for CPBs, on a lower frequency for the other survey targeting different stakeholders) 	X		
Chapter 3: Assessment of the Hungarian measurement framework			
<ul style="list-style-type: none"> Adding in the updated measurement framework a detailed methodology to calculate each single indicator and sub-indicator. 	X		
<ul style="list-style-type: none"> Explaining in the framework the reason for focusing on certain sub-categories of the framework on for choosing certain indicators 	X		
<ul style="list-style-type: none"> Improving the existing indicators (when data is available) 	X	X	
<ul style="list-style-type: none"> Improving the existing indicators (when data is not available) 		X	X
<ul style="list-style-type: none"> Providing additional indicators on the main breakdowns envisaged in indicators to understand their relevance 	X		
<ul style="list-style-type: none"> Providing additional indicators: Including indicators on “Values” of public procurement spent 	X		
<ul style="list-style-type: none"> Providing additional indicators: Considering integrity and control issues 		X	X
<ul style="list-style-type: none"> Providing additional indicators to assess the level of competition in the public procurement market (Efficiency) when data is available 		X	
<ul style="list-style-type: none"> Providing additional indicators to assess the level of competition in the public procurement market (Efficiency) when data is not available 			X
<ul style="list-style-type: none"> Providing additional indicators on strategic procurement (based on data availability following the implementation of eForms) 			X
Chapter 4: Communicating the results of the performance measurement framework			
<ul style="list-style-type: none"> Recalling in the annual report on the performance of the public procurement system the indicators and sub-indicators used as part of this framework and provide their results 	X		
<ul style="list-style-type: none"> Ensuring consistency in the way report on the performance of the public procurement system covers the different indicators 	X		
<ul style="list-style-type: none"> Providing concise findings of the report in the executive summary and the different chapters 	X		
<ul style="list-style-type: none"> Mentioning the necessary actions required when identifying areas that require further policy action in relevant governmental documents. 	X		
<ul style="list-style-type: none"> Identifying the indicators that should be considered as “integrated” (linking indicators between them 	X		

Recommendations	Suggested timeline for implementation		
	Short term	Medium Term	Long term
for a more meaningful analysis)			
<ul style="list-style-type: none"> • Providing further explanations and analysis of the results of some indicators 	X		
<ul style="list-style-type: none"> • Leveraging different channels to disseminate and promote the results of the annual report on the performance of the public procurement system including i) relevant stakeholders' websites like the websites of the PPA, the Integrity Authority, the Competition Authority, the Hungarian Chamber of Commerce and Industry, etc. ii) the mobile application managed by the PPA, the "Daily Public Procurement" (Napi Közbeszerzés in Hungarian), iii) social media and press release sent to relevant medias. 	X	X	
<ul style="list-style-type: none"> • Developing in EKR a dedicated webpage listing all relevant documents related to the public procurement performance measurement framework 	X		

1. The PPAB is an independent authority, the implementation of this recommendation may require a strong cooperation between PPAB and PMO.

Note: Short term: recommendations could be implemented within the next 12 months; Medium term: recommendations could be implemented between 1 to 2 years; Long term: recommendations could be implemented in more than 2 years.

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ASSESSING EFFICIENCY, COMPLIANCE AND STRATEGIC OBJECTIVES

Public procurement measurement frameworks are essential, both to assess progress and achievements periodically and consistently and to identify gaps in progress against objectives and targets. This report assesses the public procurement performance measurement framework in Hungary and provides recommendations for its improvement. It also explores aspects to consider in developing a public procurement measurement framework and communicating the results of the framework.



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