**The list of questions to discuss**

1. **Auction or One-Step Bid?**

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The use of auction as a main method of determining the final price is common in Ukrainian e-procurement and sale platforms.

At the same time, world practice shows that auctions are most efficient when:

* price is the only or main criterion;
* price reduction / increase is the main goal of the Grantor;
* the subject of procurement is quite simple or standardized (quality criteria are clearly defined).

Unlike traditional procurement, PPPs and Concessions are a rather complex and non-standard mechanism that requires a complex assessment unique to each individual project.

The main purpose of the PPP project is:

* implementation of a long-term project on mutually beneficial terms;
* achieving the main goal of the project, which is usually growing efficiency of property use or improvement of the quality of services;
* receive positive economic benefit (value-for-money) from the project implementation.

Thus, the price criterion may not be the main goal of the customer or even not be a criterion at all.

In world practice a tender with one stage of evaluation of a financial proposal is mainly used for PPPs and Concessions.

As quality criteria have a much higher role in PPP/Concession projects than in traditional procurement, and quality requirements are much broader and cannot be standardized. As quality criteria are defined for each individual project, potential shortcomings or gaps in the definition of such quality criteria may encourage the participant to use such gaps to further improve its financial offerings by reducing quality.

Another negative factor of the auction may be the significant competitive pressure on the Bidders, who may overestimate their capabilities to deliver the project and subsequently fail to meet the conditions that will lead to termination of partnership agreement, the need for re-launch of the project preparation and procurement, and therefore additional costs for both parties.

In addition, the psychology of auction participants leads to the submission of not the best first bid in order to further improve it during the auction. Thus, if there is only one participant, and the auction does not take place and the Grantor should agree to not the best offer or relaunch the tender.

Taking into account all negative implications, we see the one step financial bid valuation as a preferred option for PPPs and Concessions procurement.

If the Government of Ukraine still sticks to the auction methodology, the evaluation approach selected automatically by ETS depending on how many Bids submitted may be applicable as an alternative option. Or the auction could be used **ONLY** in cases where one financial criterion is used (e.g. amount of availability payments in government-pay PPPs or the cost of electricity in user-pay concession energy project). In **ALL OTHER** cases - one-step bid should be applied.

1. **How to deal with too aggressive bidding? Should abnormally low/high bids be disqualified?**



1. **What type of Auction should be used? English auction, simultaneous multiround auction (SMRA) or other type of auction?**

The SMRA is an extension of the English auction to more than one item. All the items are sold at the same time, each with a price associated with it, and the bidders can bid on any number of items. The auction proceeds in rounds, which are specific periods of time in which all bidders can submit bids. **After a round is closed the auctioneer discloses who is winning and the price of each item, which coincides with the highest bid submitted on the item.**

**There are differences in the level of information revealed about other bidders’ bids. Sometimes all bids are revealed after each round; sometimes only prices of the currently winning bids are published.**

**The bidding continues until no bidder is willing to raise the bid on any item further.** In other words, if in one round no new bids are placed, the bidders receive the spectrum for which they hold the highest active bid; then the auction ends, with each bidder winning the blocks on which he has the highest bid, and paying this bid price for any item won.

The SMRA uses simple *activity rules*, which force bidders to be active from the start. Without such rules, bidders might be tempted to hide their demand and wait to see how prices develop before they start bidding. Monotonicity rules, where bidders cannot bid on more items in later rounds, are regularly used. This forces bidders to be active from the start. Activity rules can be considered to be a major innovation of this auction format.