



## **Analysis of the State Procurement System of Georgia**

### **PMC Research Center**

### **Research Report**

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## **Executive Summary**

Since 2010, the State Procurement Agency of Georgia developed electronic procurement system (Ge-GP). The new system took 2 months to fully replace its predecessor - “paper-based tenders”. The E-procurement system increased competition among suppliers; became transparent, non-bureaucratic and non-discriminative, significantly minimized corruption risks and brought significant savings to state entities.

The research paper “Analysis of the State Procurement Policy of Georgia” studies the strength and challenges of the existing state procurement system of Georgia. The research is based on the analysis of state procurement policy, conducted interviews with representatives of large procuring entities and suppliers of goods and services, with representatives of the State Procuring Agency. The research also analyzes 24 best practices of the 18 European Union countries’ electronic procurement systems to examine whether the existing procurement system complies with the European best practices.

The research showed that even though the State Procurement System of Georgia is considered to be successful, the system faces challenges, which need to be addressed in order to further improve it. Research also showed that not all opportunities the electronic procurement system has to offer are being taken into the practice.

The existing state procurement system allows procuring goods and services at lowest prices and consequently results in savings in procurement. Nevertheless, the quality control of procured goods and services relies on the procuring entities. For quality assurance, procuring entities use the qualification requirements of suppliers and technical characteristics of goods and services. However, to obtain the product of the desired quality could be problematic if the procuring entity fails to provide the appropriate description of the qualifications of the supplier and technical requirements of the goods and services. Therefore, capacity building for writing appropriate qualifications and technical requirements is crucial. Moreover, forming standards and norms for more frequently procured goods and services is necessary.

One of the key problems remains the frequent change of procurement plans. State entities should be allowed long term stable procurement plans. On occasion, procurers have to prepare tender requests in only a few days. In addition, the tender commission of procuring entities should entail specialists of procurement, which is a common practice in EU countries.

Based on the research finding PMC Research Center elaborated 19 recommendations for further improvement of Georgia's State Procurement System. These recommendations could significantly increase the competence of the parties involved in public procurement procedures, the level of competition and the electronic tender extended area, which will ultimately affect the quality of purchased goods and services.

## Introduction

State institutions' effectiveness heavily depends on the quality of procured goods. A large amount of the taxpayers' money is spent on public procurement (up to 7% of GDP). Therefore, while managing the public finances, one of the most important issues is the state's procurement system. Due to considerable reforms in Georgia's procurement system and changes in its procurement policy in 2010-2013, it has been a regular subject of discussion.

The reform of the state procurement system started in 2010. The previous system was not as transparent, which created high corruption risks, limited competition and expanded bureaucratic procedures. Therefore, the system required reform.

The reforms were first implemented within procurement legislation, establishing the Georgian electronic procurement system (Ge-GP). The new system started operating in October 2010 and took 2 months to fully replace its predecessor - "paper-based tenders". The E-procurement system increased competition among suppliers. It also encouraged savings: due to reformed procurement procedures in 2011-2013, 400 million GEL<sup>1</sup> was saved in state institutions' expenditures. The system became transparent, which minimized possibilities for corruption considerably. Currently, the E-procurement system is not discriminative; every public or private organization is free to participate in a tender to deliver required products. Furthermore, there is no discrimination of suppliers in terms of origin of the organization's country. The open tender, a method based on reverse auction, is the default procurement method for purchasing goods, services exceeding GEL 5,000. After completion of a reverse e-auction procedures, the bidder with the lowest prices, verified on a pass/fail basis for qualification criteria and technical requirements, wins the tender. A contract is awarded only in case of full compliance with the qualification criteria and technical requirements set in the tender documents. If the lowest price bidder fails to pass the above mentioned criteria, the second lowest one is considered, etc.

The existing state procurement system allows procuring goods and services at reasonable prices and consequently results in savings in procurement. Nevertheless, the quality control of procured goods and services relies on the procuring entities. For quality assurance, procuring entities use the qualification requirements of suppliers and technical characteristics of goods and services. However, to obtain the product of the desired quality could be problematic if the procuring entity fails to provide the appropriate qualifications and technical requirements. The procuring entity saves money, but, as a result it could obtain a lower quality product. The logic of the system is as following: a well-developed technical requirement and qualification criteria by the procuring entity sets the quality control standards for procured products; an impartial bidding procedure ensures free competition among suppliers. As a result, government authorities receive

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<sup>1</sup> Source: The State Procurement Agency

goods and services with the desired quality at market prices. It has to be mentioned that free competition among suppliers is possible only in case of electronic tenders.

In spite of its important advantages, the current procurement system has a number of challenges which should be addressed and improved. The main goals of the PMC Research Center's project "Analysis of the State Procurement Policy of Georgia" is to identify the challenges of the State Procurement System of Georgia and to develop recommendations for further improvement.

The research analyzes all aspects of Georgia's State Procurement System. It is based on the analysis of state procurement policy, and conducted interviews with representatives of large procuring entities, with suppliers of goods and services, with representatives of the State Procuring Agency and members of the Dispute Resolution Board. The research also analyzes 24 best practices of the 18 European Union countries' electronic procurement systems to examine whether the existing procurement system complies with the European best practices. Hereafter, we produce a set of professional recommendations for the improvement of Georgia's State Procurement System.

The recommendations developed by PMC Research Center aim to further improve the efficiency of the state procurement system, in particular, to ensure the quality of procured goods and services and, at the same time, to maintain a simple, transparent and competitive system. These recommendations could significantly increase the competence of the parties involved in public procurement procedures, the level of competition and the electronic tender extended area, which will ultimately affect the quality of purchased goods and services.

## Problem Statement

Finances used for public procurement, are in essence the tax-payers' money spent on effective governance. Therefore, the system and policy for public procurement should be transparent, economically purposeful and efficient. As a result, it will provide high quality goods and services for effective functioning of state institutions.

Interviews conducted with the procuring organizations revealed that the current system is transparent, not bureaucratic, non-discriminatory, and customer-focused. However, it does not always provide products of the desired quality.

Based on the analysis of the state procurement policy and interviews, the following perils, were identified:

- In many cases, procurement planning is done hastily and is changed several times during the year
- The share of simplified procurement<sup>2</sup> made according to state procurement law is relatively high
- Low quality of technical requirements, developed by procuring entities
- Low quality of technical proposals, developed by suppliers
- The challenges of the consolidated tender
- None existence of standards and technical norms of goods and services
- Low level of civil society inclusion in the monitoring of state procurements
- Complexity in processing data in the procurement electronic platform

Government spending on goods and services is remarkably high, both in absolute and relative terms. Out of the country's consolidated budget for 2007-2013, approximately 9 billion GEL was spent on public procurement. This means that on average 1.2 million was spent annually (Table 1). The share of the volume of public procurement expenditures in budget expenditure should be considered high as well. The indicator decreased over 2007-2013 and dropped under 20% in 2013. In 2013, the ratio of procurement expenditures to GDP was approximately 7 %.

**Table 1. Consolidated Budget of Georgia, Goods and Services**

	2008	2009	2010	2011	2012	2013	2014
Goods and Services (million GEL)	1606	1105	1139	1211	1298	985	1079
Percentage of budget spending	29.7	20.5	20.8	21.7	21.4	15.4	15.0
Percentage against GDP	8.4	6.1	5.5	5.0	5.0	3.6	3.7

*Source: the Ministry of Finance of Georgia*

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<sup>2</sup> The method of procurement when an organization can procure products without announcing electronic tender

The consolidated budget incorporates expenditure on state-owned enterprises financed from state budget, however, does not account for expenditures of non-budgetary state-owned enterprises. Non-budgetary state-owned enterprises are also required to make purchases through the electronic procurement system. Consolidating all expenditures performed on state procurement shows that through the Ge-GP 1 392 million GEL was spent in 2012 and 1428 million GEL in 2013.

## **Research Methodology**

The research is based on the analysis of state procurement policy, conducted interviews with representatives of large procuring entities and suppliers of goods and services, with representatives of the State Procuring Agency. The research also analyzes 24 best practices of the 18 European Union countries' electronic procurement systems to examine whether the existing procurement system complies with the European best practices.

For analysis the qualitative as well as quantitative methods are used:

### **Qualitative:**

- Analysis of the State Procurement Policy (legislation)
- Face to face interviews with suppliers (2 interviews)
- Face to face interviews with procuring entities (2 interviews)
- Discussion with the representatives of state procuring entities (12 various entities)
- Meeting with Ge-GP representatives and management (3 meetings)
- Analysis of the European standards and international best practices

### **Quantitative:**

- Quantitative analysis of the procurement data (correlations, trends, descriptions)

In addition, an interim public discussion was held with about 40 representatives working on state procurement policy.

The source for the statistical analysis data is the GE-GP. Moreover, besides processed data on the websites, data obtained from the electronic bidding system should be considered as an important base. In recent years, the electronic platform allocated information on more than 100 thousand bids and 500 thousand simplified procurements.

The research examined trends in the procurement system in the period of 2010-2014, the amount of users of the electronic platform, savings, disputes and held tenders data. The

use of last years' data exposed a correlation between the tender timeframes and efficiency.

To examine compliance of Georgia's state procurement with the EU's best practices, the research explored the "Golden Books". This is prepared by European Commission and covers best practices of electronic procurements of 18 EU member countries. The Association Agreement with EU demands harmonization of Georgia's procurement system legislation with European standards. Therefore, this study focused on the experience of EU countries. After determining weaknesses in Georgia's current system and studying international experiences, PMC research center elaborated broad recommendations for further improvement in its state procurement system.

## **A Brief History of the Public Procurement System**

GE-GP has existed since October 2010. The state procurement system until 2010 had been deemed ineffective due to the following circumstances:

- Corruption
- Lack of transparency, which is a high probability of creating discriminative approaches
- Lack of public confidence in the procurement system
- Tender participation costs ( a fee 200 GEL)
- Lack of publicity of the part of the information on the tenders
- Limited competition.

During the old system, all tenders were paper based. As a result, a lot of paper documents were collected, which were difficult to obtain and to analyze. In addition, in order to participate in a paper tender, the suppliers had to visit multiple procuring agencies and other administrative bodies. There were various kinds of bidding documents, which created additional administrative barriers. Also noteworthy is the geographical inequality problem. For example, a large part of the procuring agencies and regional entities had to make at least four visits in Tbilisi to participate in the tender, without any guarantee to win. As a result, regional firms were in an unfavorable position in comparison to firms based in Tbilisi.

According to the World Bank's 2008 report, the State procurement system was considered a "high-risk system" in corruption. Therefore, the existing system was regarded as inappropriate to the reforming state.

In order to eradicate shortcomings of the old system, the procurement system reform began in January 2010. In total \$1 million was spent to create an electronic platform. To

copy paste existing public procurement systems and introduce it to Georgia would have been much more costly.

The reform embarked with the legal framework, on which it based an integrated electronic platform of public procurement. It started operations in October 2010 and after 2 months it fully replaced its predecessor - "paper-based" tenders.

**Insertion 1. Reform Phases:**

- January 2010. Legislative amendments and system establishment
- August 2010. Run the system in test regime
- August – October 2010. Trainings and seminars for more than 1000 interested customers
- October 2010. The first E-tender
- November 2010. Manual for System consumers in English and Georgian languages
- December 2010. abolish paper-tenders
- January 2011. Electronic payments system created
- September 2011. ten thousand registered customers

Source: State Procurement Agency

The objective was the procurement system to become:

1. **Transparent.** It was important to ensure the transparency of state budget spending. In other words, the public should have access to information on state procurement from the state budget. Moreover, it was necessary to enable providers to follow the bidding process in a transparent manner.
2. **Not discriminatory.** It was crucial to introduce procedures, which would require the same conditions for all providers during the procurement process. Moreover, this would ensure a non-discriminatory approach, and would prevent the system of creating 'usual suspects'. This was a rather demanding task, as there were a variety of factors, such as geographic factors, which could favor companies located relatively close to the host procuring entity.
3. **Fair selection.** In some cases, suppliers were unfairly disqualified from the competition by awarding low points in the bidding process; this was promoted by a non transparent and subjective evaluation system.
4. **Simplified procedures.** The participation in paper tenders was connected with complicated procedures; it was associated with time and material resources consumption. As a result, many companies reconsidered their participation in the tender. It was necessary to eliminate administrative barriers and simplify procedures. The hard copy documentation requirement was not only inefficient and an unreliable source of information, it was also strenuous to process them and

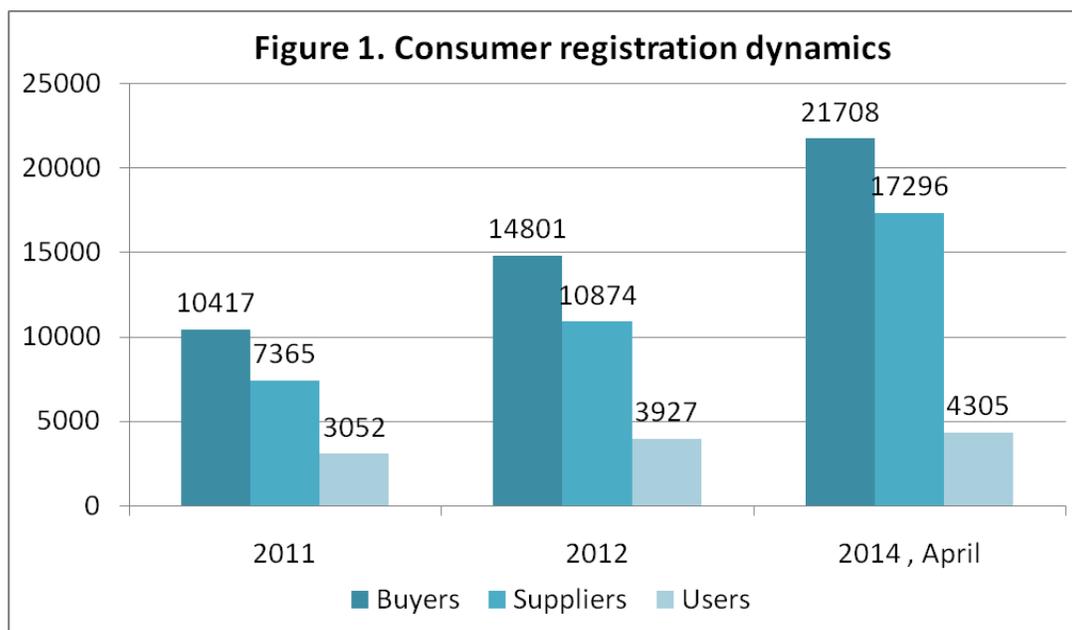
obtain necessary information. Obviously, it was time consuming as well. Publicizing the documents was burdensome, as there were merely hard copies (to obtain, to process, to copy, and so on). Therefore, monitoring the process was extremely problematic.

As a result of the reforms, the electronic procurement system actually achieved all its goals. Due to the increased competition among providers, 300 million GEL was saved by the state institutions compared to 2011-2012. The system became transparent and non-discriminatory, ruling out corruption and simplifying procurement procedures.

The current procurement system is to be held to a higher level of future development goals. Currently, the main aim of the system is to assist the procuring entities and enable more guarantees for the quality of desired goods and services. One of the main goals is a more efficient use of the existing system. It is necessary for all parties involved in the procurement procedure to realize the possibilities of the electronic platform, and to be able to take advantage of all opportunities in practice.

## The public procurement system and policy analysis

By the end of April 2014, 21,708 users were registered in the electronic platform, including 4,305 procuring and 17,296 supplier organizations. From 2011 to 2014 the number of system users doubled: the number of suppliers increased by 135%, and number of purchasers increased by 41%.



*Data source: State Procurement Agency of Georgia*

Simplification of the system increased the registration number of suppliers, which resulted in increased competition. Thus, the E-procurement system made 400 million savings in 2011-2013 for procuring entities.

The electronic tender is conducted by the tender commission, created by the head of the procuring organization. The commission has to consist of at least 3 members: the head of the procuring organization and/or deputies, or heads of structural units. When necessary, the committee members may invite and delegate an advisory vote to experts and consultants of relevant expertise.

Upon launching the e-tender, the tendering commission announces a public call for participation on behalf of the purchasing organization. Hereafter, they upload the announcement with the application package onto the state's integrated electronic procurement system. The language of announcement is Georgian; however, based on the decision of procuring entity, an English version may also be uploaded. In case the value of the goods exceeds 2 000 000 GEL and value of the services exceeds 4 000 000 GEL, it is obligatory to have an English version of the tender announcement. This procedure is efficient for the suppliers, as all necessary information is accessible to them. The registered providers, as well as any interested person (guest) are able to easily find tenders by using multi-search fields. In addition, they can download tender documentation, register and take part in the tender without a fee.

The tender documentation should include:

- a. Qualification requirements for suppliers of goods and services
- b. Quantity of goods, amount of works or services, time frame of supplying goods and services, performance of works, place and form
- c. Complete technical and qualitative parameters, a description of units to be procured, including technical specifications, plans, drawings and sketches;
- d. Essential conditions of the contract should be known by the procuring entities in advance, as well as instructions about the contract form and a guarantee securing the agreement;
- e. Methods to be used to calculate the tender proposal cost. It has to be indicated whether or not other expenses beside the costs of goods and services (transportation, insurance, taxes and etc) had to be included;
- f. More information about the tender documents, explanations about the requirements and the means and procedures;
- g. The Tender Committee member names and contact information of those who have the right to disclose information, and explanations about procurement procedures;

The description of technical and qualitative characteristics of goods to be purchased has to include technical specifications, plans, drawings, sketches, and other materials. Moreover, it should conform with standards recognized internationally and in Georgia, technical indicators, terminology, and conditional indications. The description of the object to be procured should include a trademark, patent, model, origin or producer name.

The requirements for qualification parameters for suppliers are determined by the procuring entity. The qualification requirements should be fair, nondiscriminatory, and should promote a healthy competition.

The Tendering Commission announces the tender and uploads the documents on the public electronic procurement system till the tender expires. There should be a 20 day period from the start of the announcement till the expiration date. The tender committee has the right to change the electronic bidding application and the information specified in the bid documents. However, these changes should be placed on the public procurement integrated electronic platform not later than 5 days before the end of the bidding process.

The electronic tender consists of 3 rounds. Bidding is open to any system user and they are able to observe its progress. The supplier company with the lowest price of goods and services wins the bid, if all technical specifications requested by the procuring entities are conform to the technical characteristics of the products produced by the suppliers. Moreover, the winning company must meet the qualification requirements of the provider. After the contract is signed with the winner, the delivery process of purchased goods commences.

All the above described procedures provided a high level of transparency, minimization of corruption risks, non-discriminatory policy, bureaucracy-free and simple procedures. Unfortunately, the level of the technical description of goods to be purchased is often low.

Public procurement related information is available on the electronic platform for everybody interested. This information includes:

- Annual procurement plans
- Tender announcements
- The estimated cost of the procurement
- Tender documents, changes to them and clarifications
- Suppliers bid proposal and proposal price
- The tender commission meetings and correspondence exchanged with the supplier
- Agreements and their amendments
- Information on payments made

The State Procurement Agency produces black and white lists of suppliers. A black list is a registry of the suppliers who do not have a satisfactory reference. The companies registered under the black list are not allowed to participate in public procurement during the year. The black list is available on the agency's website and is openly accessible.

The white list of qualified suppliers is also accessible to all interested parties. White list members are suppliers with satisfying historic performance in state procurements. Suppliers in the white list have the advantage to participate in public procurement process with more simplified procedures. In particular, they are not obliged to submit qualification documents. In case of an advance payment, the purchasing unit shall submit

half of the advance payment to guarantee procuring the entity (instead of the full amount to be paid equal to the amount of the guarantee). In other cases, the obligation to submit the contract execution guarantee might be omitted.

The Dispute Resolution Board functions at the State Procurement Agency of Georgia since 2011, which enables appeals on the tenders electronically. The Council is composed of six members, three of which are representatives of civil society, and three are the Agency's representatives. In case of a complaint, the tender will be halted for a period of 10 working days. During this time, the complaint is being reviewed by the Board of Appeals and the results publicized on the platform. Providers usually appeal if they consider that the qualification requirements made by the purchaser or the technical proposal are discriminatory or inconsistent with the requirements of the law. In 2012, the Board of Appeals registered 128 complaints, 55 (43 %) of which were satisfied, 48 (38 %) were not satisfied and 25 (19 %) were declared inadmissible or the appellant revoked it.

In order to conduct a public procurement policy analysis on the law on state requirements, it is of utmost importance to understand the Policy implementation area (insertion 2) and state procurement.

#### **Insertion 2. The Law on State Procurement of Georgia scope of application**

The rules set forth in the present law apply to all types of state procurement, except for the state procurement related to a state secret set forth in the law of Georgia on State Secret

- a. State procurement related to performing money-and-credit and currency policy by the National Bank of Georgia
- b. State procurement to be conducted with the funds of those legal entities of public law, which are regarded religious organizations
- c. State procurement of electricity, guaranteed power supply, natural gas and water supply
- d. State procurement of a motor vehicle for Georgia's diplomatic mission and a consulate abroad, as well as for a representative of the Ministry of Defense of Georgia and the Ministry of Interior of Georgia
- e. State procurement to support organizing meetings and visits of the President of Georgia, Chairman of the Parliament of Georgia, Prime Minister of Georgia, a minister of Georgia, state minister of Georgia and/or mayor of Tbilisi, receptions for the delegations at the Parliament of Georgia and visits of Parliamentary delegations of Georgia abroad, provide support with organizing receptions of delegations at the Ministry of Foreign Affairs of Georgia and visits of the Ministry of Foreign Affairs of Georgia delegations abroad, as well as state procurement to be conducted using the funds allocated from reserve funds of the President of Georgia, Government of Georgia and Tbilisi City Hall
- f. State procurement of services of part-time workers stipulated in budget classification article "Goods and Services", as well as state procurement to be

performed during a business trip

- g. State procurement of expert services, provided the procurement of the mentioned services is conducted in accordance with Articles 144-147 of the Criminal Procedure Code of Georgia
- h. State procurement of immovable property, as well as that related to the obtaining the right to enjoy immovable property
- i. Funding of relevant services/goods of education, health and social protection through a voucher
- j. The procurement from a non-resident entity to purchase TV/radio products (program, TV show, film, report, cultural event) made by LEPL – Public Broadcaster
- k. Law on "About Lotteries and Gambling Arrangement", the lottery organizer or lottery ticket storage by an agent, realization and / or the service related to free of charge distribution of promotional goods by the lottery organizer
- l. Law on "About Lotteries and Gambling Arrangement", state procurement of the lottery arrangement services or/ and necessary information and technological support for lottery arrangement
- m. Ltd "Post of Georgia" purchasing goods from the trade organization for realization purposes; 1) procuring organization to purchase Postal and Courier services from LTD "Post of Georgia"
- n. By the procuring organization Legal Entity of Public Law – State procurement of the Services of the Legal Entity of Public Law Levan Samkharauli National Forensics Bureau

The procuring entities not regulated by the above mentioned law do not enjoy the above-mentioned positive aspects of the system. Consequently, reduced exceptions by the law increases transparent and economic spending of funds.

The law on State Procurement recognizes the means of the state procurement: the electronic state procurement and competition. All procurements, which will be implemented in the area covered by the law, are reflected in the integrated e-procurement system.

The electronic state procurement is used for the simplified electronic tender and electronic tender. The simplified procurement is named, as well as direct purchase, or procurement negotiations with one person. The law on State Procurement sets the terms of implementation of the Simplified procurement process (Insertion 3).

### **Insertion 3**

**Article 3. (1<sup>1</sup>)** Simplified procurement – state procurement to be performed in the cases stipulated in Article 10(3) of the present Law, or state procurement of homogeneous objects of procurement with value up to GEL 5,000 (in the cases of procurement of homogeneous objects of procurement with up to GEL 50,000 value by Georgia’s diplomatic agency in a foreign state, as well as the procurement of homogeneous objects of procurement with value up to GEL 20,000 in the case of procurement by the Ministries of Georgia of Interior and Defense related to defense, security and the maintenance of public order);

### **Article 10. Means of the State Electronic Procurement**

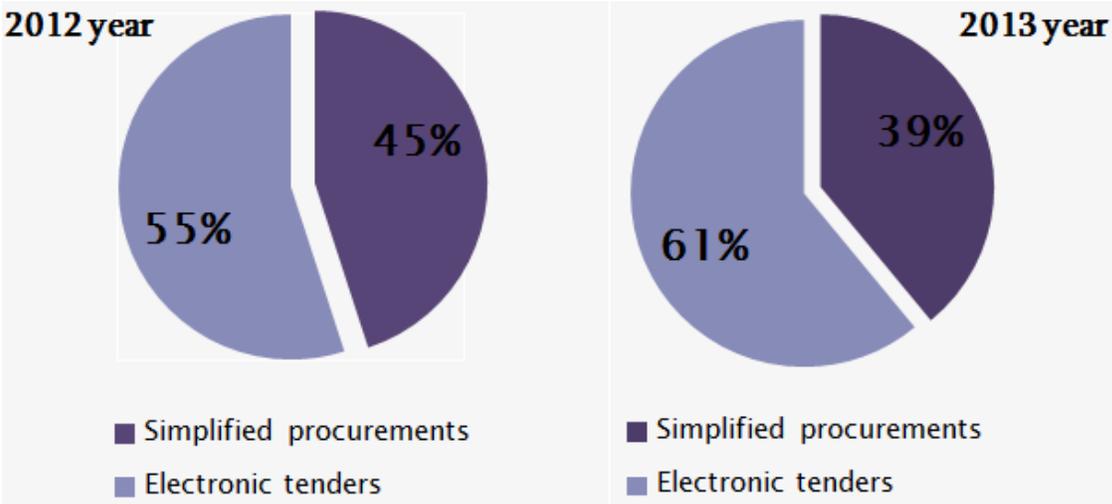
3. State procurement may be effected through simplified procurement, provided:

- a. Supply of goods, performance of work, or the provision of services is an exclusive right of just a single entity and a reasonable alternative to substitute the object of procurement is absent;
- b. Exclusive right to not be the case when:
  - a.a) Estimated cost of goods or services exceed 2 000 000 GEL, and the work - 4 000 000 GEL and outside the country, within a reasonable geographic area, there is other person who can carry out the same supply of goods, work or services;;
  - a.b) The estimated value of the goods or services does not exceed 2 000 000 GEL, and the work - 4 000 000 GEL and on the national level there is other person who can carry out the same supply of goods, work or services deliver;
- c. In case of urgent necessity; in such case the quantity of goods, volume of works or services to be procured should not go beyond the timeframes necessary for resolving the problems resulting from urgent necessity;
- d. At the decision of a procuring organization, to avoid the worsening of quality of an object procured from a supplier and/or to ensure its further operation it is necessary to undertake procurement from the same supplier or a sub-contractor envisaged under an contract concluded with the same supplier, save the case when estimated value of an object of procurement concerned is higher than the value of an object procured originally
- e. Performance of procurement has been set forth under the GoG legal act in order to support unimpeded performance of an activity of state and public importance in limited timeframes, when performing procurement using the budgets of the Autonomous Republics, as well as the funds of local self-government bodies,
- f. One or more procured motor vehicles and computer equipment are being replaced by new motor vehicles and computer equipment that have the same or improved features;
- g. State procurement related to representational expenditures is conducted;

- h. Defined age and / or the terms of the warranty vehicle maintenance and / or spare parts needed for such services and / or lubricants state procurement to be conducted based on the Government decision;
- i. A legal entity - a higher education institution carries out literature, reagent, computer program products, pharmaceutical products, laboratory equipment and purchase of the data base;
- j. 1) State-based high education non-entrepreneurial (non-profit) legal entity - the higher education institution and higher education development conduct state procurement based on the state Board of Regents approval.

In the period of 2011-2013, approximately 4.6 billion GEL were spent on direct purchases; this is 45% of the total purchases (Figure 2). As a result, a great amount of allocated funds for the procurement was spent in a less competitive environment. The direct purchases were made mostly for large budget construction works. In many cases, these constructions are performed with a low quality (e.g. the new building of Parliament of Georgia). However, in 2011-2013, out of the total contracts made, 94% of the simplified procurements were done for goods with less than 5000 GEL value, and 5% of the contracts were made to procure goods from 5000 to 50 000 GEL value. Only 1% of the contracts were signed for more budget purchases, however, 74% of the total costs incurred for direct purchases.

**Figure 2. Distribution of the state procurement in accordance with procurement means**



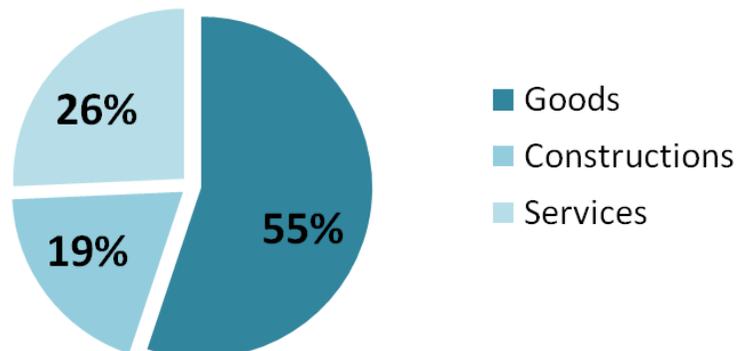
**Table 2. Simplified aggregate statistics for the period 2011-2013**

Turnover	Number of contracts	Amount (GEL)
Up to 5 000 GEL	443670	0.8 Billion
From 5 000 to 50 000 GEL	24947	0.4 Billion
From 50 000 to 500 000 GEL	4712	0.7 0 Billion
From 1 million to 10 million	315	0.9 Billion
From 10 million to 50 million	20	0.3 Billion
5More than 50 million	7	1.5 Billion
<b>Total</b>	<b>473671</b>	<b>Up to 4.6 billion</b>

Source: State Procurement Agency of Georgia

The percentage of tenders for goods purchases procurements is high (Figure 3), nevertheless, most of the money was spent on the purchase of construction services (Table 3).

**Figure 3. Public procurement distribution by objects of procurement, 2013 Year**



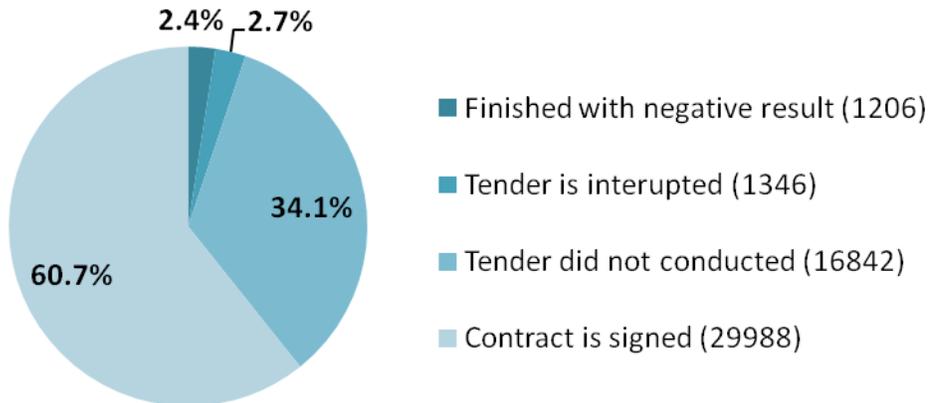
**Table 3. The total value of the tender against the units to be procured, 2012**

Units	Cost (million GEL)
Goods	417
Construction works	744
Services	267

Source: State Procurement Agency

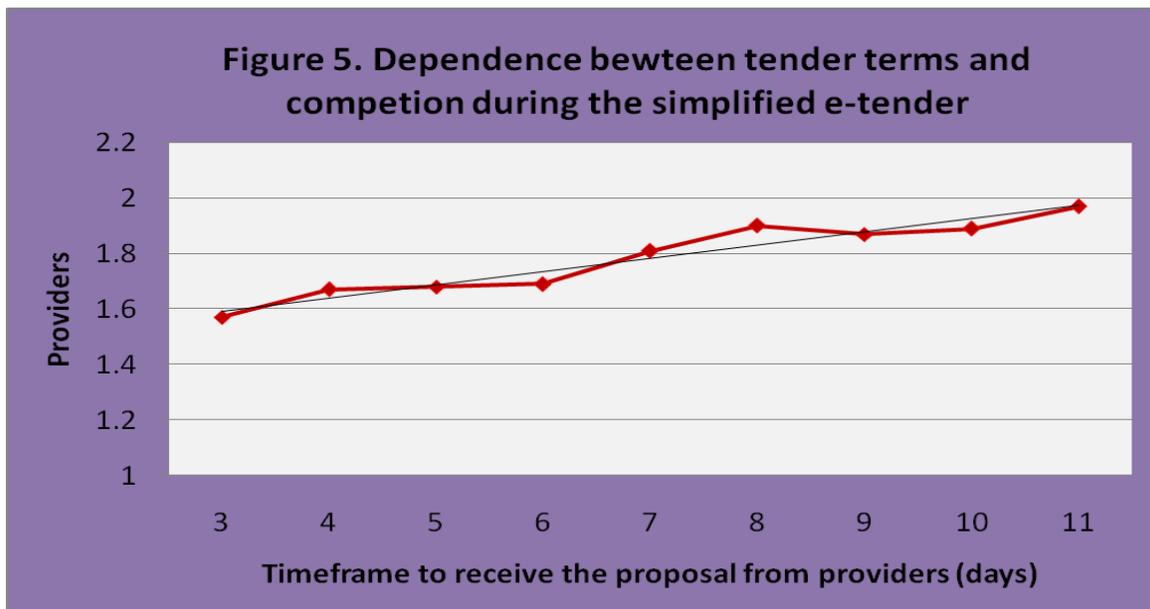
In the period of 2011-2013, the rate of successful completion of all the tenders was 60.7% (Figure 4). In total, 66% of electronic bidding was satisfactory, of which 59% was via simplified electronic tenders.

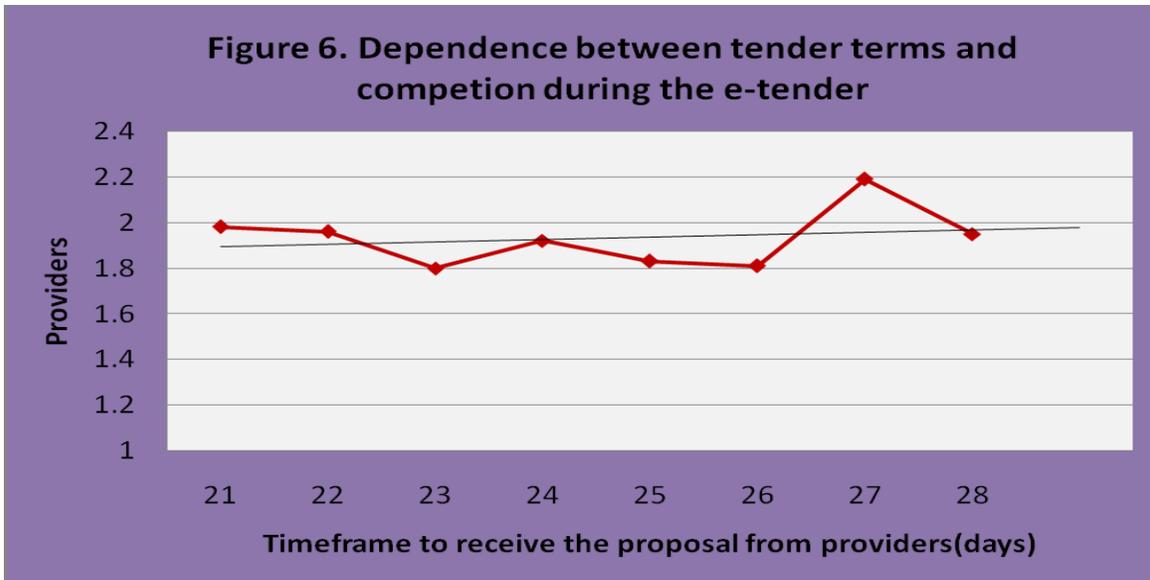
**Figure 4. Announced tenders with final status**



*Source: State Procurement Agency*

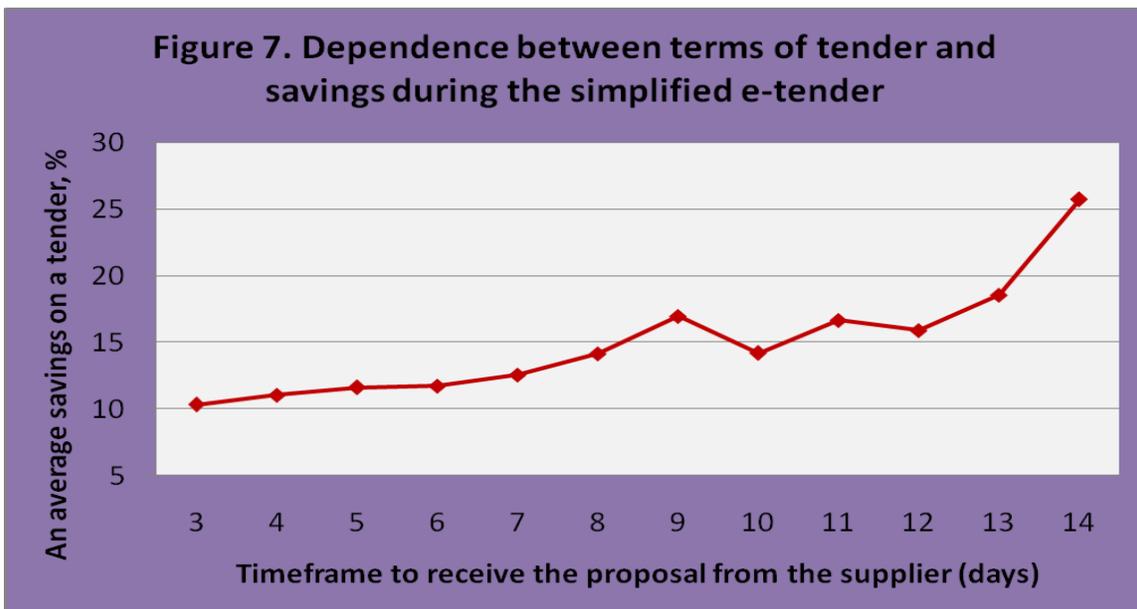
There seems to be some kind of dependence between the tender terms and competition. The fifth and sixth figures show a clear relationship between tender terms and competition during the simplified electronic tender. The reason for this could be that the provider has to submit the proposal in minimum three days, in accordance with the law, while the electronic tender period is minimum 20 days. Figure five shows that an extension of the minimum number of days could result in growth in competition and could make a positive impact on the simplified procurement.

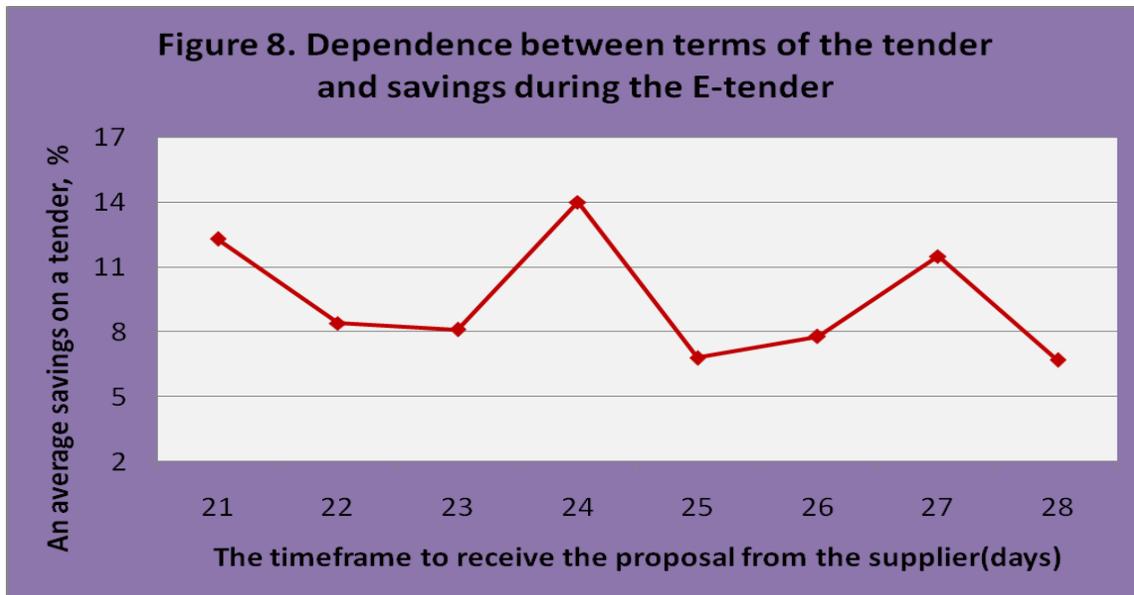




Source: State Procurement Agency

A similar dependence could be seen between bidding terms and money savings from procurements (Figure 7). The extended period of submitting applications during the simplified electronic tender considerably increases the amount of savings. This dependence could not be observed in the electronic tender (Figure 8), as the minimum term is 20 days.





*Source: State Procurement Agency of Georgia*

In parallel with legal and statistical research, conducted interviews with procuring and supplying entities, as well as with representatives of State Procurement agency, revealed that the progress is evident in procurement system. This is mainly due to the introduction of an electronic platform; however, the following shortcomings and challenges should be noted:

- Sometimes the quality of purchased goods and services do not conform with the purchaser's expectations
- There are many exceptions in the scope of the law on state procurement (eg, the president, the prime minister and the Reserve Funds of Tbilisi City Hall, LTD special rules, the Post of Georgia, the lottery company);
- The high share in simplified procurement in total state procurements
- Suppliers and procurement agency representatives believe that the level of technical requirements is low, which ultimately affects the quality of the product. It is a problem to describe appropriately the technical requirements of the desired quality goods and services and they do not consider the non-compliance of purchased goods with required quality as a problem
- Non existence or difficulty with obtaining standards and technical norms of goods and services
- The lack of long-term planning purchases. Also, the rapid changes in procurement plans
- Law competence of technical sentences prepared by the suppliers
- Consolidated tender mechanism. Consolidated tenders are closed, with one winner and last only one year

## **Compliance with best international practices: Benchmarking Georgian e-procurement system against the EU Golden Book of e-Procurement Good Practice**

Georgia is one of the few countries in the world, where paper-based tenders are fully eliminated and 100% electronic tenders are introduced within less than one-year. Ge-GP commenced in December 2010. Even though the Ge-GP system has quite a short history, its importance and prominent role in ensuring the unprecedented transparent expenditure of public funds and their considerable savings are obvious. Transparent, non-discriminatory, and fair evaluation procedures further promoted competition and almost fully excluded cases of corruptive practices.

In recent years, there were several assessments of the Ge-GP, done by the different international organizations. Some quotes from these reports:

- *“..most integrity safeguards and procurement efficiency instruments recommended by international best practice were adopted in Georgia in 2010” - **EBRD***
- *“The official electronic procurement system through which the government does its contracting is state of the art and among the most transparent and efficient systems in the world” – **TI-Georgia***
- *“The e-Procurement system implemented in Georgia may serve as a good example for Asia and other Pacific countries. The countries, which have not yet introduced the e-Procurement system, are particularly interested in the reforms implemented in Georgia” - **ADB***
- *“The European Parliament Welcomes Georgia’s new procurement system, Georgia should also serve as an example for the EU Member States in this area” – **The European Parliament***

In 2012, the Ge-GP was awarded with the United Nations Public Service Award (UNPSA) in the category of “Preventing and Combating Corruption in Public Service”. According to a recent survey published by the EBRD (EBRD 2012 Regional Public Procurement Legislation Self-assessment), the Ge-GP was recognized as the most advanced e-procurement platform among the Bank’s 26 client countries.

### **Golden Book**

This report will review e-procurement practices in Georgia in comparison with the Golden Book of e-Procurement best practices. The EU DG MARKT published the latest Golden Book of e-Procurement in March 2013. The Golden Book analyzes around 30 platforms used for public procurement in the 18 EU member countries in depth. It is already considered as one of the most comprehensive and valuable reports on e-procurement practices across the EU member countries.

These practices are aimed at helping to improve e-Procurement systems. Amongst other criteria, it is noteworthy that they take the needs of SMEs and cross-border suppliers that use e-procurement system into account.

The aim of the Golden Book of e-Procurement is to improve e-Procurement systems and to facilitate the e-Procurement uptake in Europe. The report presents not only good practices of e-procurement, but also practices which should be avoided. It sets out 24 best practices in the field of e-procurement in 18 countries of EU. These practices are assigned star ratings, which demonstrate the degree to which each practice supports legal certainty and confidence around tendering. Moreover, it includes a number of do's and don'ts under each category and serves as an invaluable guide to procuring entities and bidders in the area of e-procurement. According to the DG MARKT, e-Procurement solutions need to be effective and easy to use for both procuring entities and suppliers. These solutions should allow the participation of all stakeholders, in electronic public procurement procedures. In addition, they should promote transparency and accountability, not only to allow better and equal access to public procurement, but also to secure paper-free processes and allow analysis of past procurement. Overall, the DG MARKT and the authors of the Golden Book of e-Procurement Good Practice identified six major objectives that every well-functioning e-Procurement Platform should aim to achieve. The six major objectives are the following:

- 1. To enhance accessibility for SMEs*
- 2. To ensure legal certainty and confidence*
- 3. To facilitate cross-border bidding*
- 4. To promote transparency and accountability*
- 5. To improve usability and efficiency*
- 6. To support change management*

### **Practice 1: Platform automatically transmits all its notices to a single point of access for publication**

The Georgian Electronic Government Procurement (Ge-GP) fully complies with Practice 1. All contracts and award notices are available at a Single Point of Access (SPoA) (<https://tenders.procurement.gov.ge/login.php>). Since 2011, the Ge-GP contains award notices for direct contracts. Publishing notices for direct awards increased transparency and improved accountability significantly. Currently, the total number of contracts available online amounts to 500 000.

The SPoA, within which tender notices are created, is the central and the only platform, where tender specifications are available. The SPoA is searchable and free to use. It does not require registration for finding tender opportunities or access any other related information. This way, it is possible for economic operators to find all contracts and award notices below and above threshold at all administrative levels (central, regional and local) through a SPoA.

All tender notices at the Ge-GP contain tender documentations, where the tender

specifications are available for free download. The submission deadline is indicated clearly. Although the time zone (e.g. GMT +4) is not specifically indicated in every tender notice, it is indicated in the form of “system time” based on the local time zone.

**Conclusion:** The Ge-GP fully complies with Practice 1. In the EU, this practice has been observed in 8 out of 18 countries.

### **Practice 2: Bidders and contracting authorities benefit from affordable training plans**

The Ge-GP fully complies with Practice 2, which implies that bidders and contracting authorities benefit from affordable training plans. The Ge-GP is as user-friendly as possible. A very detailed user manual is provided at the login page of Ge-GP. The Ge-GP website also contains video lessons on how to use the system. The before mentioned qualities minimize the need for training. Nevertheless, the Competition and State Procurement Agency of Georgia (hereinafter SPA) regularly conducts free of charge trainings on usage of the Ge-GP. A proper training program, delivered by the SPA, increases the confidence of bidders in e-Procurement. Private training centers also deliver number of courses. This way, bidders and contracting authorities are educated on the use of Ge-GP and can participate in e-Procurement much easier.

**Conclusion:** The Ge-GP fully complies with Practice 2. In the EU, this practice has been observed in 11 out of 18 countries.

### **Practice 3: platform has communication plans in place to promote the use of e-Procurement**

The SPA has a communication strategy. Based on this strategy, the SPA runs a communication program via its website, commercial advertisement, or news items in specialized publications. As Georgia abolished paper tendering system in 2009 and procuring entities are obliged to use e-Procurement, the main target of the communication strategy is to increase private sector interest towards public procurement in general and e-procurement in particular. Many public events, including conferences, seminars, and meetings are organized to explain the benefits of e-Procurement both for the public and private sector. Individuals can get the information about mentioned events from the website. Moreover, invitation letters are sent to relevant individuals. Thus, it facilitates for raising awareness and confidence among users about the platform and e-Procurement as a whole.

**Conclusion:** The Ge-GP fully complies with Practice 3. In the EU, this practice has been observed in 8 out of 18 countries.

### **Practice 4: bidders can access and retrieve contract notices and tender specifications as anonymous users**

Every document related to every tender is open in the Ge-GP and accessible for any

interested user without restrictions. In fact, any technical or administrative pre-requisites and barriers are removed for accessing tender specifications and information anonymously. Registration is not mandatory to retrieve contract notices or tender specifications. The user can access the system using the tab “guest” and in this way he may remain anonymous. As mentioned in Practice 1, the Ge-GP is the SPOA and thus bidders do not need to browse through several web-pages to retrieve all the documents in a call for tenders. The registration procedures are very simple and do not require provision of any documentary evidence of proof the registration process itself is as easy as Facebook or Google+. The registered users can question any tender and require clarifications from the procuring entities. They can also subscribe to receive automated notifications in respect of a particular CPV code pegged with the tender notice.

Thus, access has been eased significantly on calls for tenders and has made public procurement more accessible. In fact, all documents, related to public procurement in Georgia are freely accessible at the Ge-GP. The non-exhaustive list of these documents include the following: online annual procurement plans, tender notices, tender documents, bids submitted by the bidders, all minutes of sittings of tender evaluation committee, clarifications, award notices, contracts, changes to the contracts, documents related to contract implementation such as invoices and receipts, payments done under the contracts, documents related to the disputes and decisions made on those disputes, etc.

**Conclusion:** The Ge-GP fully complies with Practice 4. In the EU, this practice has been observed in 6 out of 18 countries.

#### **Practice 5: Economic operators can register on the platform without having to provide country specific information**

As mentioned above, the Ge-GP registration procedures are very simple and do not require provision of any documentary evidence of proof. The only country specific information required is the country of origin and the national identity number, which is not cross validated. Neither certificates nor digital signature are required for accessing the information at the Ge-GP. No scanned document or anecdotic paper documents by post (as used in some jurisdictions) are required for the registration purposes. The system clearly indicates which fields are mandatory and which are not. It provides clear guidance on how to correctly fill the form in. In case of mistakes or missing data, the system shows error messages to the user. Users can complete the registration using their desired language (Georgian, English and Russian). This enables foreign economic operator’s access to participation in the tender.

**Conclusion:** The Ge-GP fully complies with Practice 5. In the EU, this practice has been observed in 9 out of 18 countries.

#### **Practice 6: Economic operators complete their registration on a platform by clicking an activation link received through e-mail**

In order to complete registration, after filling the fields, users have to click a unique URL to receive an activation code via email, which was indicated during the registration. Getting the activation code ensures that the email provided by the user during the registration is valid. As mentioned above, no digital signature certificate is needed to complete the registration process. Moreover, the Ge-GP does not require a digital signature at any stage of procurement. This prevents any interoperability and compatibility problems with digital signature certificates issued in different countries which are a very common problem in e-Procurement platforms that mandate the use of digital certificates.

**Conclusion:** The Ge-GP fully complies with Practice 6. In the EU, this practice has been observed in 12 out of 18 countries.

### **Practice 7: Platform support English in addition to the official language of the state**

For the registered users, the Ge-GP user interface is available in three languages: Georgian, English, and Russian. All system data, including the tender notice, is available in these three languages. The only data which is available in Georgian only is the one, manually entered by the procuring entity into the relevant fields and tender documents (for example additional information). The platform configuration does not prevent the use of automated translation tools to translate the pages. In addition, the SPA is finalizing translation of the user interface in Turkish (Azeri) and Armenian languages. This will allow to support all the languages of the region, hence spur cross border access.

**Conclusion:** The Ge-GP fully complies with Practice 7. In the EU, this practice has been observed in 16 out of 18 countries.

### **Practice 8: Economic operators can use a username and a password to log in to a platform**

The Ge-GP does not require the use of digital certificates to log in and use the platform. The registered user can log in with a simple set of credentials, such as a username and password, instead of multiple login options. The platform also provides an easy and intuitive password recovery option to users. As a result, users have access to a simple and comprehensive interface.

**Conclusion:** The Ge-GP fully complies with Practice 8. In the EU, this practice has been observed in 16 out of 18 countries.

### **Practice 9: Economic operators can search contract notices using a set of search criteria**

The Ge-GP has an advanced and comprehensive search module with a combination between free text-based search and drop-down menus which allows choosing dates, CPV categories, stages of tender, types of tenders, etc. This kind of combination enables narrowing the search to the list of relevant contract notices.

The Ge-GP advanced search module supports at least the following searchable criteria in four different modules, namely the Tendering module, Dispute Review Board module, Annual e-planning module and Single-source contracts database module:

- the name of the procuring entity
- the name of the supplier
- CPV category
- the object of the tender
- the type of the tender
- the publication date
- the submission deadline
- tender stage
- contract implementation stage
- the tender value

This way, any user can easily find any relevant information on public procurement in Georgia.

**Conclusion:** The Ge-GP fully complies with Practice 9. In the EU, this practice has been observed in 8 out of 18 countries.

**Practice 10: bidders can evaluate whether tender specifications are relevant for them based on the information available in contract notices**

Every tender notice, published in the Ge-GP, clearly indicates:

- where the tender documents can be found (always attached to the tender notice)
- the name, and main activity of the procuring entity
- the subject-matter of the tender, including CPV category
- the publication date
- the submission deadline without needing to calculate it
- the place of delivery
- the tender value with indication of the currency
- the procedure

Thus, bidders can obtain all the information they need easily for evaluating whether the opportunity is interesting/relevant for them or not.

**Conclusion:** The Ge-GP fully complies with Practice 10. In the EU, this practice has been observed in 3 out of 18 countries.

**Practice 11: Economic operators are notified of any changes to tender specifications**

The Ge-GP, in case of changes in tender documents or in bidding procedures, delivers

automatic notification messages to those registered users, who subscribed to the CPV category of that tender. Such changes include questions and answers, modifications or adding documents, etc. Subscribed users are notified through an internal messaging system. In order to stop getting messages, they can unsubscribe at any time.

Compared to the best practices, the problem with the Ge-GP notification system is that users only have the option to subscribe to a CPV category, which is very broad. They do not have the option to choose particular products or particular procuring entities. They also cannot subscribe to a particular tender. At the same time, subscribers are notified about the change in tender notices or tender documents, with no clear information on where the change has been made; leaving the users to search through the entire call for tenders to identify what has been changed.

**Conclusion:** The Ge-GP does not fully comply with Practice 11. In the EU, this practice has been observed in 16 out of 18 countries.

**Practice 12: Platform support automatic transmission of all types of notices to TED, the Official Journal of the European Union**

In order to implement Practice 12, a country should be the member of European Union. The Ge-GP is not linked to TED, the Official Journal of the European Union, as Georgia is not a member of the European Union. At the same time, the Ge-GP is able to announce automatic transmission of all types of notices in the official tender publication gazette “24 Hours”.

**Conclusion:** The Ge-GP fully complies with Practice 12. In the EU, this practice has been observed in 17 out of 18 countries .

**Practice 13: Economic operators and contracting authorities can search CPV categories based on their code or their description**

The Ge-GP allows contracting authorities and bidders to search commodity classification categories based on Common Procurement Vocabulary (CPV) codes. The CPV codes can be used to search contract notices and to create new contract notices. The search module provides an easy to use CPV search, based on codes, close match of the description, tags and CPV tree. Thus, the selection of the desired CPV category has been simplified, resulting in more accurate and more frequent use of CPV categories.

**Conclusion:** The Ge-GP fully complies with Practice 13. In the EU, this practice has been observed in 10 out of 18 countries.

**Practice 14: Contracting authorities can re-use information contained in their profile or in previous notices to create contract notices, tender specifications, and award notices**

The Ge-GP allows procuring entities to create new tender specifications using forms,

which can be partially pre-filled with information contained in the profile of the contracting authority. However, the Ge-GP does not allow for saving the templates of contract notices and tender specifications. Therefore, the procuring entities cannot create, edit, and save changes to templates. In this sense, the Ge-GP differs from the international practices.

Allowing the contracting authorities to save, edit and re-use all the information and documents contained in tender specifications reduces the risk of errors and the time spent to create tender specifications.

Re-using information from previous tender specifications, instead of manually re-encoding, increases legal certainty and confidence, as it decreases the risk of error and the number of inconsistencies between similar tender specifications. This enables contracting authorities to save time while preparing their tenders.

**Conclusion:** The Ge-GP does not fully comply with Practice 14. In the EU, this practice has been observed in 8 out of 18 countries.

**Practice 15: Economic operators can choose to sign manually or electronically a submission report containing the hash value of each submitted document**

As mentioned earlier, the Ge-GP does not require the use of digital signature in any occasion, thus, allowing manual signatures to avoid barriers caused by the use of national digital certificates.

Many advanced platforms issue documents submission report containing hash value of each submitted document. This is considered as the best international practice. The use of document submission report ensures integrity of content, non-repudiation, and authenticity of origin of the submitted tenders. The Ge-GP does not have such functionality. Thus, there is a room for further improvements.

**Conclusion:** The Ge-GP does not comply with Practice 15. In the EU, this practice has been observed in 2 out of 18 countries.

**Practice 16: Bidders receive a proof of delivery upon successful submission of their tender**

The Ge-GP has not adopted this practice. As mentioned in Practice 15, the Ge-GP does not use the functionality of document submission report and therefore does not issue a proof of delivery upon successful submission of bids. Bidders may see their submissions any time during the tender process, while other users will see these documents after expiration of the submission deadline.

**Conclusion:** The Ge-GP does not comply with Practice 16. In the EU, this practice has been observed in 3 out of 18 countries.

### **Practice 17: Economic operators can change their proposals up until the submission deadline**

The sequence of tender submission in the Ge-GP looks as follows:

- 1) the bidder pays electronic bid bond (1% of the estimated value of the tender)
- 2) the bidder pays tender submission fee (GEL 50)
- 3) the bidder uploads all the relevant documents
- 4) the bidder submits the tender price

This sequence cannot be changed; however, the bidder has the freedom to perform them at any time until the deadline. The submitted documents can be modified, deleted, or resubmitted only before the tender price is submitted. Once the bidder submits the price, the Ge-GP does not allow economic operators to resubmit electronic tenders even if the presentation deadline has not yet passed. Thus, it is impossible to correct any potential mistakes, once the tender price is submitted.

The Ge-GP differs from number 17 best international Practice. Practice 17 allows bidders to resubmit electronic tenders up until their presentation deadline. As long as no tender has been opened, the platform still accepts tenders. In the opening process, only the last submitted tender is considered for evaluation. This way, it is possible for economic operators to easily correct errors or adjust their tenders further to new information being published by the contracting authority. As the Ge-GP does not fully comply Practice 17, there is a room for further improvements.

**Conclusion:** The Ge-GP does not fully comply with Practice 17. In the EU, this practice has been observed in 17 out of 18 countries.

### **Practice 18: Platforms keep tenders encrypted until the opening session**

The Ge-GP does not store tenders encrypted after submission, though the confidentiality during transport through a protocol for secure network communications such as SSL is ensured.

Platforms that are considered as the best international practices store tenders in encrypted form until the opening session. This mechanism is commonly known as a tender box. There are also organizational procedures in place to ensure appropriate access control to the private decryption key until the opening session. This ensures full confidentiality of tenders until the opening time. The Ge-GP does not follow this practice. Therefore, there is a room for further improvements.

**Conclusion:** The Ge-GP does not comply with Practice 17. In the EU, this practice has been observed in 12 out of 18 countries.

### **Practice 19: Contracting authorities can evaluate part of their tenders automatically based on pre-defined criteria**

Upon completion of the tender, the Ge-GP automatically ranks bidders based on the price criteria. Thus, it is possible for the platform to generate a ranking automatically to suggest the potential winner. According to Georgian legislation, only the lowest price bidder is evaluated against the criteria defined in the tender documents. Evaluation is done manually based on a pass/fail approach. If the lowest price bidder complies with the technical and qualification criteria it will be considered the winner. If the lowest price bidder does not comply with technical and qualification criteria, the second lowest bidder is evaluated. If the second best bidder also fails to comply with requirements, the third lowest price bid is evaluated, etc.

The time spent to evaluate the tenders is significantly reduced when evaluation is done in sequences, from the lowest price to higher. At the same time, as mentioned above, the system provides only for automatic ranking according to the price of the bid, and the procuring entities cannot define additional, custom criteria to rank tenders automatically as it is done at the advanced platforms. From that point of view there is a room for further improvements in the Ge-GP.

**Conclusion:** The Ge-GP does not fully comply with Practice 19. In the EU, this practice has been observed in 9 out of 18 countries.

#### **Practice 20: Platforms use European e-Signature validation services to validate e-Signatures during e-Submission**

As mentioned in the review of practice 6 and practice 8, the Ge-GP does not require the use of an e-signature, neither for the registration nor for participation in tenders. Therefore, the validation of an e-signature is not required.

**Conclusion:** The Ge-GP does not comply with Practice 20 (however, this can not be considered as a deficiency in the system). In the EU, this practice has been observed in 3 out of 18 countries.

#### **Practice 21: Platforms clearly indicate all costs related to use of the platform**

The Ge-GP provides an overview of all the costs related to use of the platform in a freely accessible webpage. The only cost related to the use of the platform is GEL 50, established by the law for bid submission. Any other activity, related to the use of the platform, such as registration, searching tender opportunities etc. is free of charge. Therefore, economic operators and contracting authorities can identify all the costs linked to using the platform upfront.

**Conclusion:** The Ge-GP fully complies with Practice 21. In the EU, this practice has been observed in 9 out of 18 countries.

#### **Practice 22: Economic operators can create tenders using a core set of**

## **structured data and unstructured documents**

The Ge-GP supports uploading documents only for the submission of tenders. Key data of the tender is structured individually for each tender. At the very end, this prevents the automatic evaluation of the tenders and the re-use of information for creating contracts of award notices or new tenders. In the advanced EU platforms, CEN BII data models to structure the data and CEN BII controlled vocabularies are used to facilitate the automation of evaluation-related processes and reporting.

**Conclusion:** The **Ge-GP does not comply with Practice 22**. In the EU, this practice has been observed in 12 out of 18 countries.

## **Practice 23: Economic operators have the freedom to choose the platform of their preference without being locked in by the choice of the contracting authority**

In 2010, the paper-based tendering system was abolished in Georgia. Since December 2010, procuring entities are only allowed to carry out tenders electronically. When deciding on the architecture of the e-procurement system, the choice was made in favor of a single platform operated by the State Procurement Agency of Georgia. Therefore, the Ge-GP is the only e-procurement platform in Georgia used by procuring entities.

**Conclusion:** The **Ge-GP does not comply with Practice 23** (however, this can not be considered as a deficiency in the system). In the EU, this practice has been observed in 1 out of 18 countries.

## **Practice 24: Platforms use standard specifications to structure their data and promote interoperability**

The Ge-GP is based on locally developed technical specifications and uses proprietary controlled vocabularies. Therefore, it does not use specifications such as CEN BII or PEPPOL. In this sense, the Ge-GP is not interoperable with other countries systems. Platforms, which are considered the best in the EU, implement specifications such as CEN BII and PEPPOL. It could be possible to benefit from increased interoperability by adopting the specifications of CEN/BII, including the building blocks and specifications developed by the PEPPOL project. The specifications of PEPPOL are complementary and support interoperability at the technical level.

**Conclusion:** The **Ge-GP does not comply with Practice 24**. In the EU, this practice has been observed in 4 out of 18 countries.

## Research findings

The research analyzes all aspects of Georgia's Public Procurement System. It is based on the analysis of the public procurement system and policy of Georgia, interviews with representatives of large procuring entities, with suppliers of goods and services, with representatives of state procuring agencies and members of the Dispute Resolution Board. The research also analyzed 24 best practices in the 18 European Union countries' procurement systems. Besides, the research recommendations also take the comments/advice provided during the public discussion of primary research results into account. These enabled to draw a comprehensive picture of the strength and challenges of the Georgia's current state procurement system.

Based on the analysis and comparison of procurement practices in Georgia with the Golden Book of e-Procurement good practices, it could be summarized, that Georgia ranks at the top of the 18 surveyed EU member countries. Georgia is one of the few countries in the world, where paper-based tenders were fully eliminated and 100% electronic tenders were introduced within the less than one-year period. In fact, among the EU member countries only Portugal has fully switched to electronic tenders, while others have only partially implemented e-procurement reforms. The Georgian Electronic Government Procurement commenced in December 2010. Even though Ge-GP system has quite a short history, its importance and leading role in ensuring the unprecedented transparent expenditure of public funds and their considerable savings are obvious. Transparent, non-discriminatory, and fair evaluation procedures further promoted competition and almost fully excluded cases of corruptive practices.

The official web page of the State Procurement Agency ([www.procurement.gov.ge](http://www.procurement.gov.ge)), where bidders can access the Ge-GP, is permanently among the top most visited government electronic resources in Georgia. The Ge-GP is available in three languages (Georgian, English, and Russian) and there are plans to add two more languages (Turkish and Armenian) to enable companies from neighboring countries to navigate the system in their own language. Since December 2010, the number of unique visitors of web page exceeded half a million, while total page views exceeded 15 mln. The number of visits from foreign countries exceeded 200,000. The number of foreign companies registered at Ge-GP far exceeded 200, while the value of contracts awarded to foreign bidders already exceeded GEL 40 mln.

Due to the simplicity of the Ge-GP system, the number of tenders rose remarkably. In 2008 the number of conducted tenders was 2,790, in 2009 the corresponding indicator was 1,923, and in 2011 more than 33 000 tenders were conducted. Currently, more than 100 000 electronic tenders are carried out through the Ge-GP.

The Ge-GP is used by more than 21 700 registered active users, including both procuring entities and suppliers. Information, which helps suppliers to prepare for bids and to plan sales strategies for state procurement, is open and accessible in the Ge-GP system for any interested individuals. Mentioned information includes the following:

- annual procurement plans of all 4307 procuring entities
- tender notices
- tender documentation
- bids and bidding documents
- decisions of tender evaluation commission
- all relevant correspondence
- all contracts and changes to the contracts
- all information, related to contract implementation
- payments done through the State Treasury.

The Ge-GP maintained the formation of fair competition between suppliers, as equal opportunities are provided for bidders, despite their geographical locations. The majority (60 %) of state procurement funds are spent through open and transparent procurement procedures.

One of the main outcomes of the introduced Ge-GP is reduced corruption risks. The level of corruption was reduced within a short period of time. Since the new system was implemented, only a few cases of a wide scale corruption scheme were detected. Moreover, the new system maintained to generate savings. By April 2013, the savings generated by the Ge-GP were USD 380 million, which is around 12 % of the total value of the announced tenders.

The Ge-GP simplified procurement procedures compared to the paper-based system. Administrative requirements are minimal: according to the legislation, the list of obligatory documents to be obtained by bidders from state bodies should be short and well justified. Qualification criteria and technical requirements are verified on a pass/fail basis for the winning bidder after completion of a reverse e-Auction procedure. The necessity of the bidders' physical visits to the procuring entity has been minimized to one time only. The tender participation fee is 50 GEL, which is four times less in comparison to the paper-based system.

Despite high appreciation and recognition from the international community, the Ge-GP is far from ideal (in fact, there is no ideal e-procurement system in the world) and there is room for further improvement and development. However, the Golden Book might serve as a benchmark for the Ge-GP to implement further improvements. The Golden Book of e-Procurement provides in depth analysis around 30 platforms, used for public procurement in the 18 EU member countries. It sets out 24 practices, which are considered to promote best practices in the field of e-procurement in Europe. As the analysis shows, Georgia fully complies with 14 out of 24 best practices, provided in the Golden Book, partially complies with four practices and does not comply with six practices.

The practices, to which Ge-GP does not comply can be grouped in the following sets:

- The first set relates to the issuance of the proof of delivery upon successful submission of the tender by the bidder. At the moment, the Ge-GP does not

have such a function, therefore, this could be considered as a deficiency in the system compared to the best international practices.

- The second set of the non-compliant practices relates to the structured data and re-use of information contained in the user profiles, contract notices, tender specifications, and award notices. Currently, the Ge-GP partially pre-fills tender notice with information contained in the profile of the procuring entity, however, information from previous contract notices and tender specifications cannot be saved as templates and therefore the procuring entity cannot create, edit, and save changes to templates.
- The third set of the non-compliant practices relates to making changes to the tender specifications and notifying bidders about that, as well as resubmission of tenders until the submission deadline.
- The fourth set of recommendations relates to the encryption of the submitted documents until the bid opening session.

Based on the research findings, the leading strong sides of the State Procurement System of Georgia are the following:

- Transparency
- Encourages Competition
- Easy procedures
- Low corruption risks
- Generates Savings
- Technically well designed
- Is Progressive
- Monitoring possibility

Nevertheless, the system still has several challenges. The main challenges the system faces are related to the quality assurance of procured goods and services. Mentioned challenges are due to some specific reasons:

1. Low quality of prepared technical requirements
  - In some cases, procuring state agencies cannot form appropriate technical requirements for goods and services;
2. Low quality of prepared technical sentences
  - In some cases, suppliers of goods and services cannot formulate appropriate technical sentences
3. Not properly planning of procurements
  - Procurement plans of public institutions change many times during the year. Therefore, procurement divisions of public institutions have to prepare tenders in a short time period;
4. High share of simplified procurements
  - Almost 40 % of procurements are simplified procurements, which are characterized by less competition compared to electronic tenders
5. The public law on state procurement does not cover all procurements of state institutions

- For example, the reserve funds of the president, the government and Tbilisi City Hall, state post-office of Georgia, state lottery company and others;
6. None existence of standards and technical norms of goods and services
    - It complicates describing technical aspects of procured goods;
  7. Short timeframe of simplified electronic tenders
  8. Consolidated tenders compliance with the best international practices
  9. Low level inclusion of civil society in the monitoring of state procurements
  10. The complexity of processing data in the procurement electronic platform
    - None existence of an API (application programming interface) service, which could help any interested part to process the platform's information;

## Recommendations

The majority of non-compliant and partially compliant practices could be corrected to fully match the best European practices in this field. In order to improve the Ge-GP, the following recommendations have been drawn up:

- In order to improve the first set of deficiencies, the function to proof the delivery of successful submission of the tender should be added. This technical task can easily be implemented by the State Procurement Agency. If implemented, these changes will increase the number of compliant practices by two points and the overall number of the compliant practices will reach 16 out of 24.
- In order to improve second set of non-compliant practices, it is recommended to add to the Ge-GP a function, which allows the contracting authorities to save, edit and re-use all the information and documents contained in tender specifications. This will enable procuring entities to reduce the risk of errors, inconsistencies between similar tender specifications and save time while preparing their tenders.
- In order to improve third set of deficiencies, it is recommended to modify the Ge-GP notification module, allowing the users to subscribe only to a particular tender or procuring entity. This will reduce the amount of unwanted notifications of which the bidder cannot unsubscribe from. It should be also mentioned that in many jurisdictions, making substantive changes to the tender documents automatically triggers the extension of the bid submission period. This helps to avoid the situation when last minute changes leave the prospective bidder no chance to properly reflect these changes in the corresponding tender. As the Ge-GP does not have such a function, we recommend introducing an automatic prolongation of the bid submission time for a sufficient period to allow incorporating these changes into tender proposal.
- Another recommendation relates to the possibility of resubmission of tenders until the submission deadline. It is recommended to introduce changes into the Ge-GP logic to allow bidders to resubmit their tenders until the submission deadline. From a practical point of view, adding such a function should be an effortless

- technical task and could be easily implemented by the SPA. If implemented, these changes will increase the number of compliant practices by two points and further increase overall compliance with the best international practices.
- As mentioned in the analysis of the relevant practice, the GeGP does not encrypt documents after submission, though the confidentiality through digital transport encryption protocol for secure network communications such as SSL is ensured. We recommend introducing changes to the Ge-GP to ensure the encryption and the full confidentiality of tenders until the bid opening time. This could guarantee that nobody can access the received tenders until the time indicated in the tender notice.

Other recommendations connected to the improvement of state procurement results are:

1. Standardization of the most frequently procured goods and services
  - a. Standardize technical requirements for most procured tradable goods and services. All procuring entities should have accessibility to these standards. Standards have wide usage in EU. E.g. in Portuguese monetary limits exist on cars, computers and telephones. The law determines price margins for cars, computers and telephones.
2. Capacity building in preparing technical requirements
  - a. To conduct trainings and work out study programs;
  - b. Hiring experts (EU practice)
3. Prepare technical sentences sufficiently
  - a. Capacity building in preparing technical sentences
4. Prepare catalogues for available goods and services
  - a. The State Procurement Agency should guide the formation goods and service catalog. It could support procuring entities in conducting a more effective marketing process before they announce a tender;
5. Reduce the list of procurements which are not covered by the state procurement law
  - a. Exemption from the law (such as: Reserve funds of the President of Georgia, Government of Georgia and Tbilisi City Hall, Lottery company, Georgian Post) should be diminished, as more public money will be spent in a competitive environment;
6. To minimize the share of simplified procurements
  - a. Simplified procurements based on a decrees of the government should be limited with amendments in the legislation
7. To improve planning of procurements by procuring agencies
  - a. State entities should have precise long term procurement plans, which are not changed several times during the accounting year;
  - b. Changes in the plan should be limited by a minimum 2 week period. This rule should be supported with amendments in the budget legislation (practice of international organizations)

- c. The maximum number of changes should be determined as a percentage in planned procurements
- 8. In the case of simplified electronic tenders, the timeframe to receive the proposal from providers should be prolonged
  - a. The current three day term should be prolonged to eight days, as it will lead to an increase in competition in electronic tenders.
- 9. Improvement of consolidated tenders
  - a. According to the international best practice, consolidated tenders should be open, with many providers and should continue for more than one year. Open tender entails that, after winning the tender, other suppliers remain the competitors of the winner and in some cases could supply products. Many providers entails that a tender does not have only one winner.
- 10. To improve the qualification of the members of tender commission of procuring entities
  - a. The commissions should be filled according to competences instead of by high position managers of a procuring entity (EU practice)
  - b. For high budget procurements, hiring experts of the sphere should be considered
- 11. To increase civil society involvement in the monitoring and estimation of state procurements system
  - a. An information campaign should be conducted to enlarge knowledge and raise awareness;
- 12. To reform the Dispute Resolution Board of the Competition and State Procurement Agency:
  - a. Number of complaints doubles annually, there were 393 complaints in 2013. Such amounts require increasing the number of board's members
  - b. The number of board members should be extended or should be conversed into a paid position (currently it is an unpaid position)
- 13. To notify successful submission of the tender by the bidder
  - a. The bidder does not receive conformation that the submission process was successful. Developing this technical issue will increase the Ge-GP compliance with “Golden Book”
- 14. To allow the contracting authorities to save, edit and re-use all the information and documents contained in tender specifications
  - a. This could simplify the undertakings of the procuring entities and suppliers and could increase compliance of the Ge-GP with the “Golden Book”
- 15. Procuring entities should substantiate the reasons of tender interruption
  - a. The responsibility of preparing a tender could increase punctuality
- 16. In a case of making substantive changes to the tender documents the bid submission period should be extended automatically
  - a. When tender documentation changes, the bidders should have an extended timeframe to respond to the new requirements. The compliance of the Ge-GP with “Golden Book” will increase as a result.
- 17. Allowing the possibility of resubmission of tenders until the submission deadline
  - a. Suppliers should be able to change their bids before auction opening

18. Ensure the encryption of documents until the bid opening time
  - a. The confidence of suppliers “Now How” could increase as a result.
19. To implement API service on the electronic procurement platform
  - a. Any user should be able to retrieve information, processing should be conducted by modern instruments (Application Programming interface, API)
  - b. The tender monitoring will be simplified.

## **Conclusion**

The research findings show that the procurement practice supports the core objectives of the state's procurement policy. In particular, state procurement markets are open and transparent. In essence, this should increase efficient purchasing outcomes. The question currently, is how to implement further development in the procurement system to ensure the procurement of high quality goods and services.

The analysis is based on quantitative and desk researches and on interviews with representatives of procuring agencies, suppliers of goods and services and state procurement agency of Georgia.

State procurements cover nearly 20 % of Georgia's state budget expenditure. Therefore, enhancing the efficiency of the procurements is of utmost importance.

Since 2010, the State Procurement Agency of Georgia developed a new e-procurement system, which changed paper based tenders. In a short time period, the new system became transparent, non bureaucratic and non discriminative, significantly minimized corruption risks and brought significant economic wealth to state entities. The current system of electronic tenders corresponded significantly to the best European practices.

The research showed that not all opportunities the electronic procurement system has to offer are being taken advantage of. On occasion it caused purchasing low quality goods and services. Moreover, the legislative base should be redesigned, in order to diminish exceptions. The procedure for simplified tenders, for high cost goods and services should be more strenuous. In addition, the timeframe of receiving bids should be prolonged.

Capacity building in procurement skills and knowledge is crucial, for procurers, as well as for suppliers. Moreover, forming standards and norms for more frequently procured goods and services is necessary. The standards and norms should be developed by qualified experts of different spheres. To increase the efficiency of the Dispute Resolution Board of the State Procurement Agency, the number of members should be increased.

One of the key problems remains the frequent change of procurement plans. State entities should be allowed long term stable procurement plans. On occasion, procurers have to

prepare tender requests in only a few days. In addition, the tender commission of procuring entities should entail specialists of procurement, which is a common practice in EU countries.

Eradication of some technical shortcomings will make the GE-GP more users oriented and will increase compliance with the best European practices as described in the Golden Book.

The final crucial issue is to increase the involvement of civil society in the monitoring and assessment of the state procurement policy and system. The electronic procurement system is entirely transparent and provides a good opportunity to conduct monitoring of the procurement processes.

The realization of the suggested 19 recommendations into practice will significantly increase efficiency of Georgia's state procurement system. As a result, procuring organizations will receive goods and service of the desired quality for a reasonable price.

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