

Problems and Challenges

- Discriminatory treatment due to the absence of sufficient transparency
- High corruption, “kickbacks”, bribery, trade of influence and the acceptance of illegal gifts
- Evidence of favoritism and other unsound practices
- Very limited access to tender-related data, little trust from society
- Unjustifiably high risk of tender participation
- Costs of participation in tenders inevitably high
- Limited competition
- High administrative costs, requirement to engage with various administrative bodies for qualification documents
- Decreasing number of tenders, while flourishing direct contracting
- High burden on administration, practically impossible to verify, process and analyze the data – tender procedures used paper documents and approximately 20 million paper documents were accumulated by the State Procurement Agency in the beginning of 2011 -

The first Law on State Procurement (LSP) (1999) was based on the Model Law on Procurement of Goods, Construction and Services of United Nations Commission on International Trade Law (UNCITRAL); significantly amended in 2006.

The World Bank comprehensively assessed the Procurement System of Georgia (CPAR) 2008 and indicated it was “a high-risk environment” which needed substantial improvements and reforms to level it to international best practices in terms of economy and efficiency, transparency, non-discrimination and equality.

Almost all core international principles around efficient public procurement activities were breached. The procurement system was considered unsuccessful and inappropriate for a state that was facing numerous challenges.

Solution

The Ge-GP reform aimed to achieve five clear and simple goals which are broadly in line with best international practice, for example, the EU public procurement *acquis*:

- Transparency - ensuring public funds were spent in a transparent and efficient way, direct and unlimited access to information - the main slogan and motto is “Everyone Sees Everything”, literally meaning that any document related to public procurement should be open and available online.
- Non-discrimination and fair evaluation - it was necessary to introduce procedures, which would treat all the suppliers equally and would exclude the possibility of discrimination.
- Simplified and easy-to-follow procedures – the participation of paper-based tenders was associated with being a rather complicated procedure, as well as a waste of time and material resources. This left many companies reluctant to participate in tenders, which meant it was necessary to simplify the procedures and remove administrative barriers. The computer literacy level in Georgia was relatively low, especially in rural areas, and the same was true about internet penetration. Therefore, the system needed to be based on something simple and easy to understand, as well as following procurement logic.
- Getting rid of paper - the paper documents submitted to the Agency were seen as inefficient and non-reliable sources of information. At the same time, processing these documents and the need to obtain all the necessary information was a rather complicated and time-consuming process. It was also difficult to issue paper-based data as public information (searching for, procession, copying, and so on).
- Getting rid of corruption - public procurement is highly prone to corruption risks. Bribery and other forms of corruption can occur at different stages of the procurement process, from formulation of tender

requirements, to awarding of contracts and their management. This is especially true for non-transparent, paper-based procurement systems. It was necessary to remove the systemic grounds for corruption.

The Ge-GP system was created within less than a year – the reform was launched in January 2010 and in October 2010 the first e-Tender was announced. From 1 December 2010 all paper-based tenders have been abolished. Since then all the state tenders are only electronically.

Initial phases of the Ge-GP Reform

- January 2010 - legislative amendments and development of the system
- August 2010 - piloting of the system
- August to October 2010 - trainings and seminars for over 1,000 users
- October 2010 - the first e-Tender
- November 2010 - the system user-guide in Georgian and English languages
- December 2010 - full abolition of paper-based tenders
- January 2011 - bilingual system (Georgian/English)

“...welcomes Georgia’s new procurement system, Georgia should also serve as an example for the EU Member States in this area”

European Parliament Resolution 2011/2306

“...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”

Asian Development Bank

Information related to state procurement is open and accessible in the Ge-GP system for anyone who is interested, including annual procurement plans of 4,300 procuring entities, tender notices, tender documentation, clarifications, 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 simplified procurement procedures; administrative requirements are now minimal compared to the previous system. According to the legislation, the list of obligatory documents to be obtained by bidders from state bodies should be short and well justified.

Results

- Reduced risks of corruptions and highest level of transparency of procurement procedures
- Significant savings - by June 2014 the savings amounted to USD340, 12% of the announced tenders
- The number of foreign companies registered at Ge-GP exceeded 300, contract value exceeded USD 30 million
- 100 Percent Electronic Tenders, no paper based tenders
- The number of tenders rose remarkably: 2,790 in 2008 and 1,923 in 2009, while in 2011 exceeded 33,000 and currently it is more than 100 000
- In 2012 the European Bank of Reconstruction and Development has placed Georgian e-procurement system on the top of its 26 client countries systems, stating that “most integrity safeguards and procurement efficiency instruments recommended by international best practice were adopted in Georgia”

State Procurement Reform in Georgia: Everyone Sees Everything



Delivering Progress



Ministry of Foreign Affairs
of the Czech Republic

- In 2012, the GeGP was awarded United Nations Public Service Award (UNPSA) in the category *“Preventing and Combating Corruption in Public Service”*