



სახელმწიფო შესყიდვების სააგენტო
STATE PROCUREMENT AGENCY

Georgian Successful Reforms in Public Procurement: Path Towards the Risk-Based and IT Based Approach

The Georgian public procurement system at a glance



The Georgian public procurement system has been transformed, from one that was labelled “high-risk” in 2009, to one that achieved the highest rating a few years later





Before the reforms:

- **100% Paper based tenders**
- **Lack of transparency**
- **Restricted competition**
- **High compliance cost**
- **Non-reliable data**
- **Geographical inequality**
- **High risk of corruption**

Nowadays:

- 100% electronic tenders
- Everyone sees everything
- Equal access to tenders
- Smart system preventing mistakes
- Business Intelligence system
 - 70 real-time reports
- Internal messaging system/SMS notifications
- Fast and transparent Dispute Resolution Board

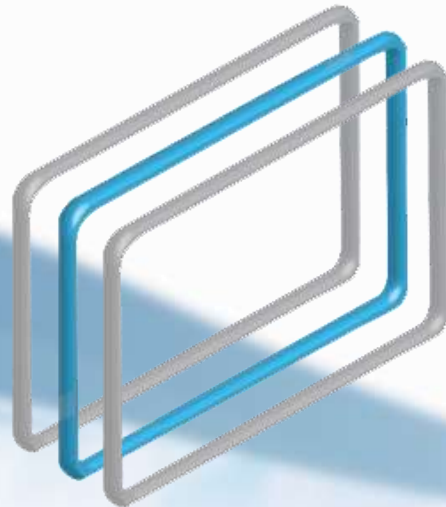


Current Procurement Framework

Public Sector (Demand)

State Procurement Agency

Private Sector (Supply)



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Public Sector (Demand)



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- Number of decentralized acting contracting authorities: **4386** (20 May 2015)
- Annual amount of public procurement contracts: **3 billion GEL**, approximately **10%** of GDP
- Number of open tenders per year: **30.000**
- Estimated value of approximately 80% of announced tenders: **< 50.000 GEL**
- Saving: **14%** of the estimated value, **820 Million GEL** since **2010**

Private Sector (Supply)

22.172 suppliers participate in public tenders
number of foreign companies exceeds **648**

1,110 Nonresident Suppliers (CMR)

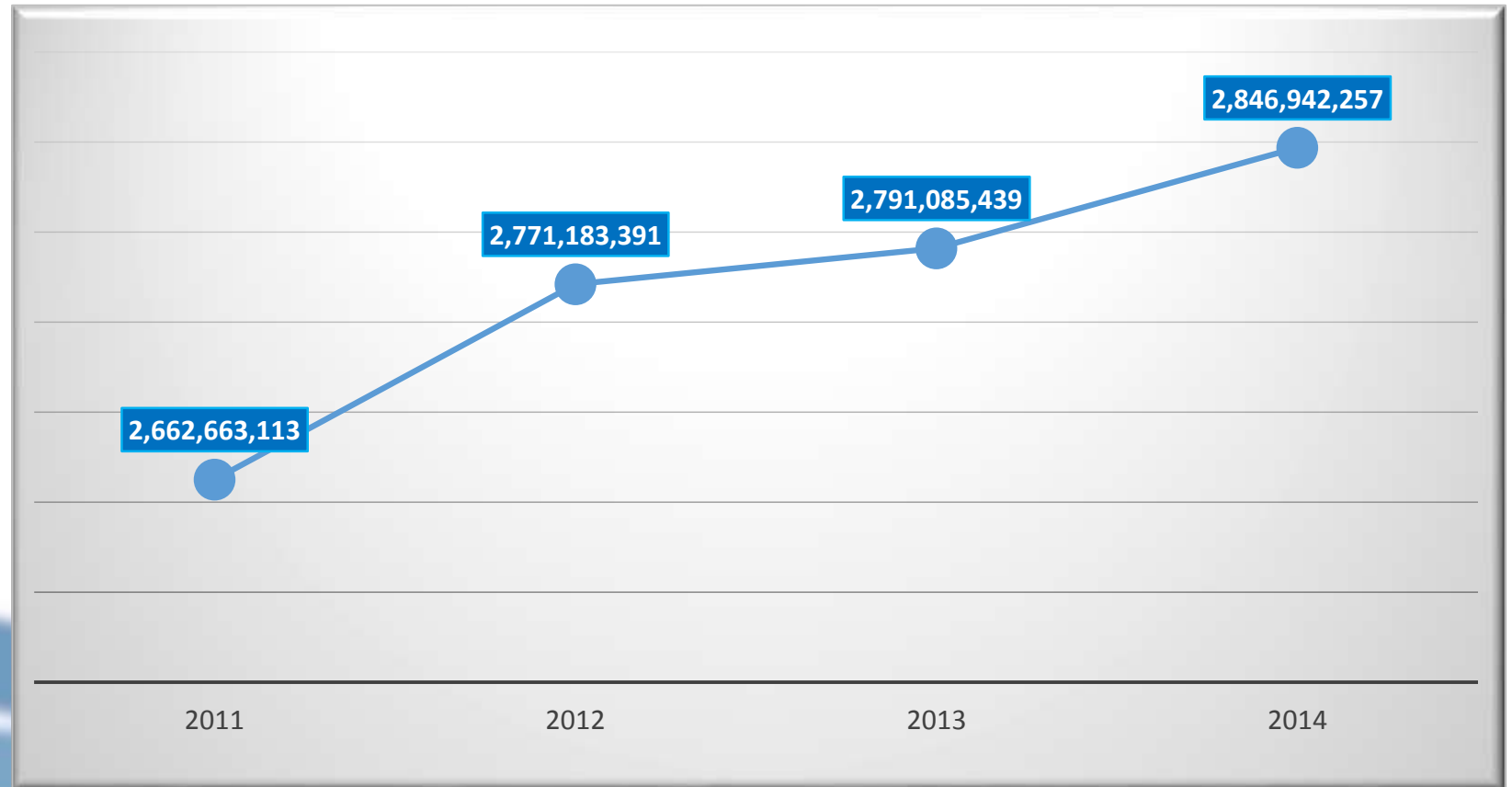


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	Number of registered bidders in the System
2011	7365
2012	10874
2013	16447
2014	19911
20 May 2015	22172

Private Sector (Supply)

Contract value by years



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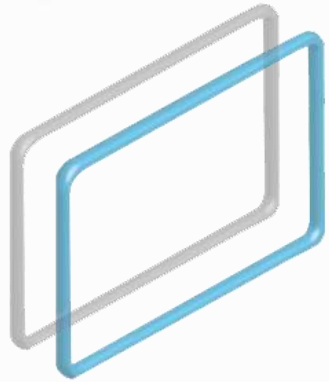
Private Sector (Supply)

Average number of bidders in tender: 2.06 (2011: 1.73)

	Average Number of bidders
2011	1,73
2012	1,75
2013	2,01
2014	2,02
5 May 2015	2,05

In certain sectors more than 2.5:

Building completion work	3,14
Installation services of metal containers	3,00
Garments	2,87
Works for complete or part construction and civil engineering work	2,78
Motorcycles, bicycles and sidecars	2,67
Occupational clothing, special work wear and accessories	2,65
Cleaning and polishing products	2,63
Site preparation work	2,62
Metal ores and alloys	2,57
Building installation work	2,56



Institutional Framework

State Procurement Agency (SPA) - strong and independent authority striving to contribute to a competitive market economy by developing a transparent and equal environment in the Georgian public procurement system



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Institutional Framework



CHAIRMAN

APPARATUS

**DIVISION OF FINANCIAL
MANAGEMENT AND
LOGISTICS**

DEPUTY CHAIRMAN

DEPUTY CHAIRMAN

IT DEPARTMENT

**TRAINING
CENTER**

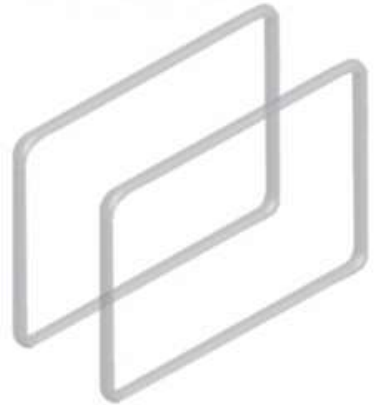
**ANALYTICAL
DIVISION**

**DEPARTMENT OF
FOREIGN
RELATIONS**

**LEGAL
DEPARTMENT**

**DIVISION OF
CONSOLIDATED
TENDERS**

**MONITORING
DEPARTMENT**



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In total 56 employees are employed at State Procurement Agency of Georgia, out of which 55% are female and 45% male employees.

Institutional Framework

SPA manages the e-Procurement system and central purchasing initiatives for the Government of Georgia



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Institutional Framework

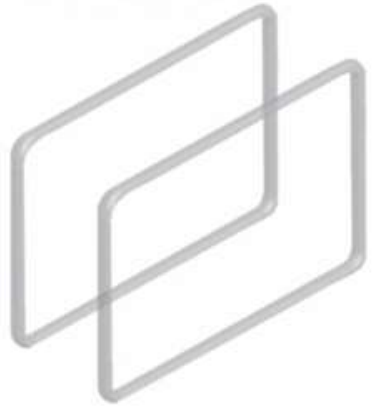
Since 2014 Training Centre was established, which provides relevant and clear procurement related information and counseling services for the public as well as private sector.



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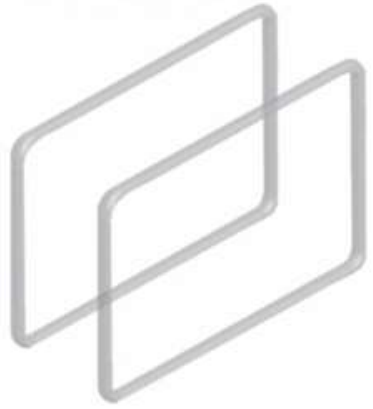
Dispute Resolution Board (DRB)



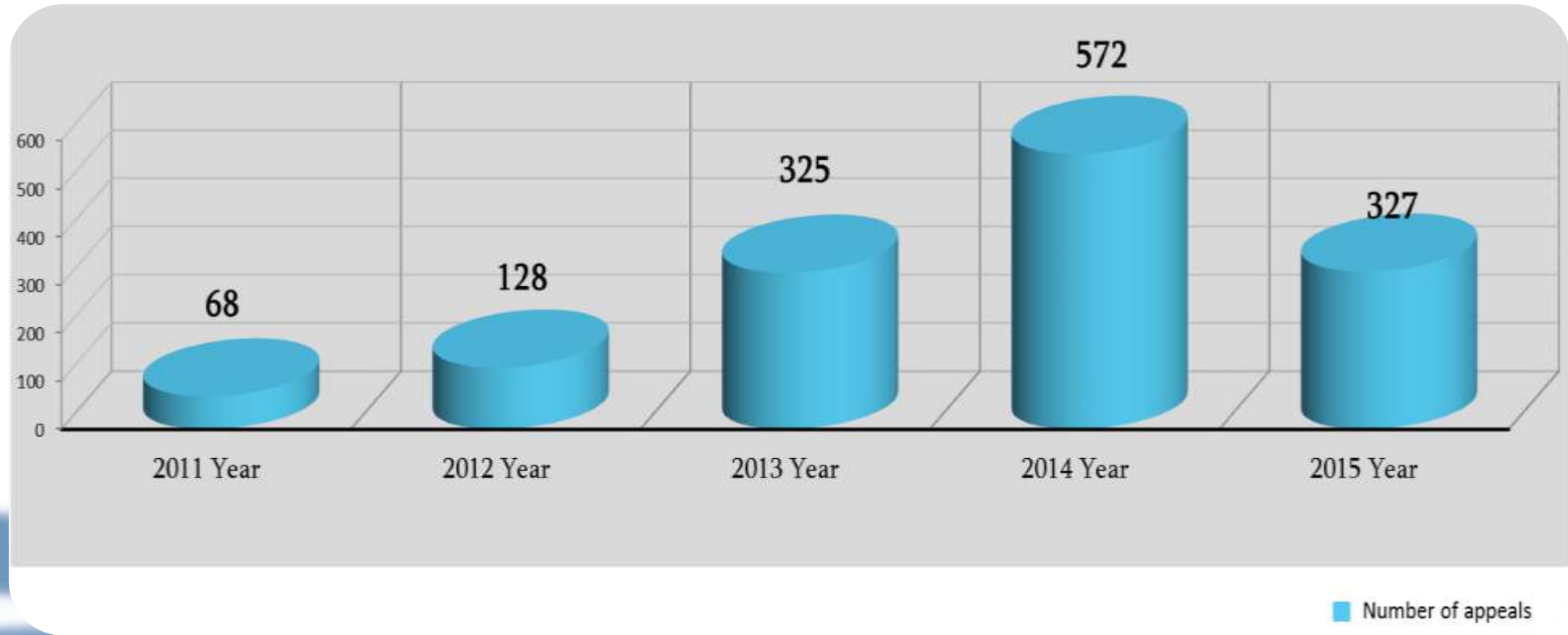
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- Created on 6 December 2010
- Acts as the review and remedies body for public procurement procedures
- Consists of six members; representatives of the SPA and the NGO sector
- Any entity or person interested in participating in a public procurement procedure may appeal the actions of a procurement entity or a tender committee to the DRB
- eDRB appeal form: Everyone can “freeze” a tender with just a single click of a button. Submission of appeal takes less than two minutes
- An appealed tender will be “frozen” for a period of 10 business days. During this period the eDRB will review the appeal and the results will be published in the eProcurement system

Number of appeals filed with the eDRB (as of 5-May-15)



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Legal Framework

- One single and simple procurement law based on a decentralized model
- National scope reaching every procurement process above **GEL 5000**

Historical overview:

Assistance of the first Georgian Law on Procurement in 1999. The law established a public procurement system based on administrative procedures. It provided for the formation of a national market and the establishment of a system of counseling services of the Agency of Goods, Services and Works.

1999

2006

2008

2010

Since
2010



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Technological Framework



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- Single and smart e-Procurement system: transparent, simple, multilingual and user-friendly minimizing administrative requirements and preventing mistakes
- All procurement-related information is available online, to any interested person - It is possible to track every transaction, every procuring officer, every supplier, to produce indicators, look for behavioral patterns
- Any communication with contracting authority is transparent. Any registered user can question any tender using Q&A module. Tender committee is obliged to answer.

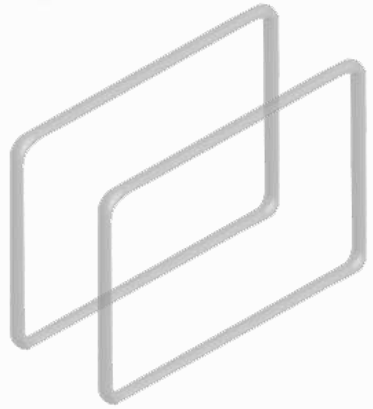
Everyone sees everything



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- Annual Procurement Plan
- Tender Notice
- Tender Documentation
- Questions related to tender notice and documentation/Answers of procuring entity
- Tender Proposals/Bids
- Decisions of tender evaluation Commissions
- All relevant correspondence
- All data on disputes, including application and decision
- Contracts and amendments
- Payments made through the eTreasury

The Georgian Procurement System underwent profound reforms. The achievements of the State Procurement Agency have been explicitly acknowledged by different international organizations.



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UNITED NATIONS (UN): Second place in the Category: Preventing and Combating Corruption in the Public Service



OECD: Highly appraised amongst the Eastern Partnership Countries



EUROPEAN PARLIAMENT: The European Parliament Welcomes Georgia's new procurement system, Georgia should also serve as an example for the EU Member States in this area



European Bank
for Reconstruction and Development

EBRD: 1-st place among EBRD regional 26 Countries in regard the implementation of eProcurement in the National Public Procurement Regulatory Framework



The World Bank: The introduction of E-procurement is a good example of how strong political will and commitment can be critical in the context of reforming public procurement.



Asian Development Bank

ADB: E-procurement system implemented in Georgia may serve as a good example for Asia and other Pacific countries



TRANSPARENCY
INTERNATIONAL

TRANSPARENCY INTERNATIONAL: Improvements in Corruption Perception Index (2012), what was greatly promoted by the Georgian Public Procurement System



Consolidated Tenders

Before Consolidated Tenders' (2011)

Declared Individual Tenders' on a Fuel (oil production)

Bids Received Tenders

- Number - 720
- Cost – 140,998,081 ₪

28%

Bids received

No Bids Received Tenders

- Number - 2489
- Cost – 362,090,478 ₪

72%

No Bids received

Why Consolidated Tenders' ?



- კონსოლიდირებული ტენდერის სიასზეები
- ნათობაროდუქციის (სანვაების) კონსოლიდირებული ტენდერი
- ფიზიკური საბაზოფონო მომსახურების კონსოლიდირებული ტენდერი
- საბაზო ქალაქის კონსოლიდირებული ტენდერი
- კომპიუტერების კონსოლიდირებული ტენდერი
- კონსოლიდირებული ტენდერების არქივი
- საბაზო დოკუმენტაციები

- Reduces the number of No Bids Received tenders
- Consequently, reduces the number of simplified (direct) procurement (retail price)
- Cost saving
- Improves transparency
- Reduces administrative resources of procuring entities
- Optimizes irrational expenditure of budgetary funds
- Product/Service quality control
- Reduces expensive and irrelevant procuring objects' purchase

Consolidated Tenders



- Unified, Centralized state procurement procedure of the same/similar type of procuring objects' for different procuring entities.
- Consolidated Tenders occur:
 - ✓ through electronic system of state procurement
 - ✓ as an electronic online auction
- Bidders express willingness to undertake the specified procuring object at a price
- After announcement of the winner, procuring entities can make a contract on the state procurement with the winner supplier.

Procuring Objects of a Consolidated Tenders'



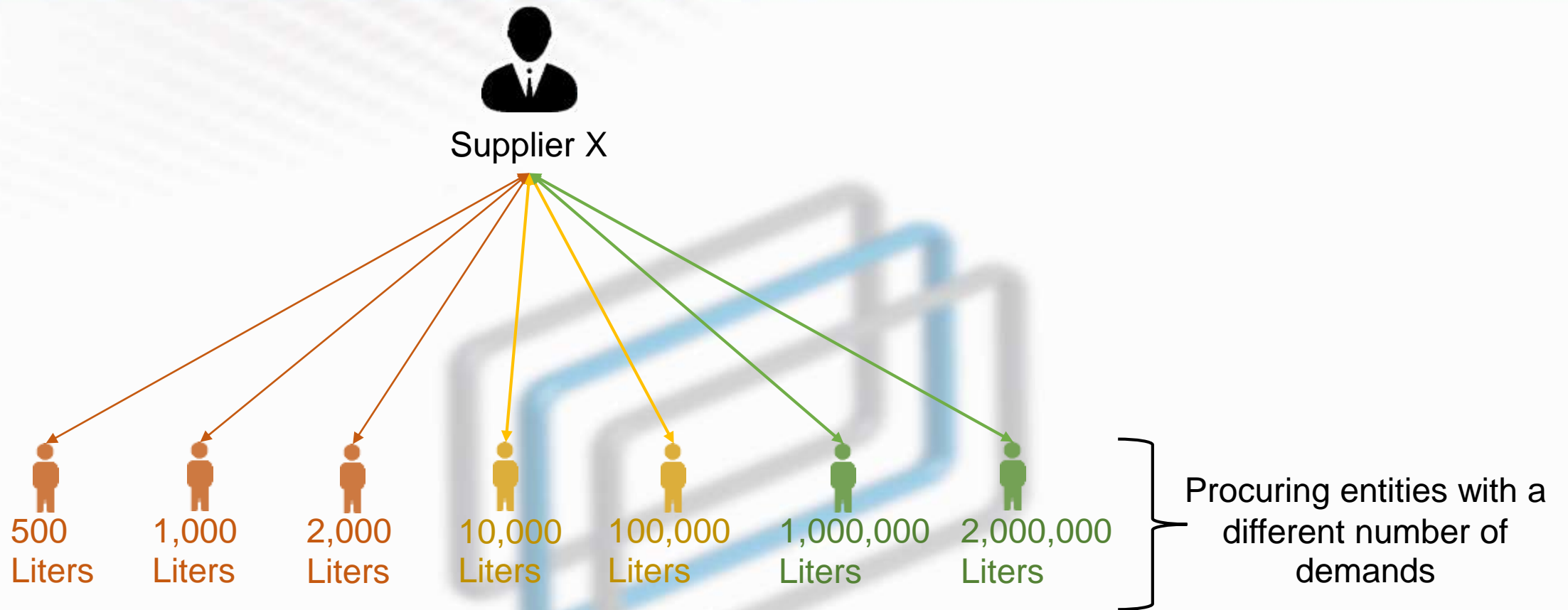
- **fuel (oil production)**
- **Cellular (mobile) Communication**
- **Computers**
- **Printing Papers**



The role of Tender Commission and

State Procurement Agency -
the Division of Consolidated Tenders'

- Plays an intermediary role between procuring entities and suppliers.
- Identifies the need for the same/similar type of procuring objects of each procuring entities.
- Identifies, communicates and negotiates with suppliers.
- Determines the terms of the Consolidated Tenders' and publishes the Consolidated Tenders' Documentation.
- Declares the winner bidder.
- Monitors the Consolidated Tenders' procedure and evaluates the performance of procuring object.
- Ensures that within a Consolidated Tenders' procedure all terms and conditions are maintained.



- **Small scale tender** → no interest to bid → **No Bids Received** → **simplified (direct) procurement (retail price)** → irrational spending of budgetary funds
- **Medium scale tender** → indifferent to bid → moderate discounts → less irrational spending of budgetary funds
- **Large scale tender** → high interest, high competition, high portion of discounts → optimized rational spending of budgetary funds

Innovative monitoring mechanism – “AGAI” system



Vehicle Automatic Identification, so called “AGAI” system, is used to control the consumption of the fuel by car fleet

How does the system work?

- Oil stations use nozzles with information recognition feature
- When nozzle touches the car tank, it automatically reads the tag installed in the tank
- System anticipates action, only after receiving the information from the tank

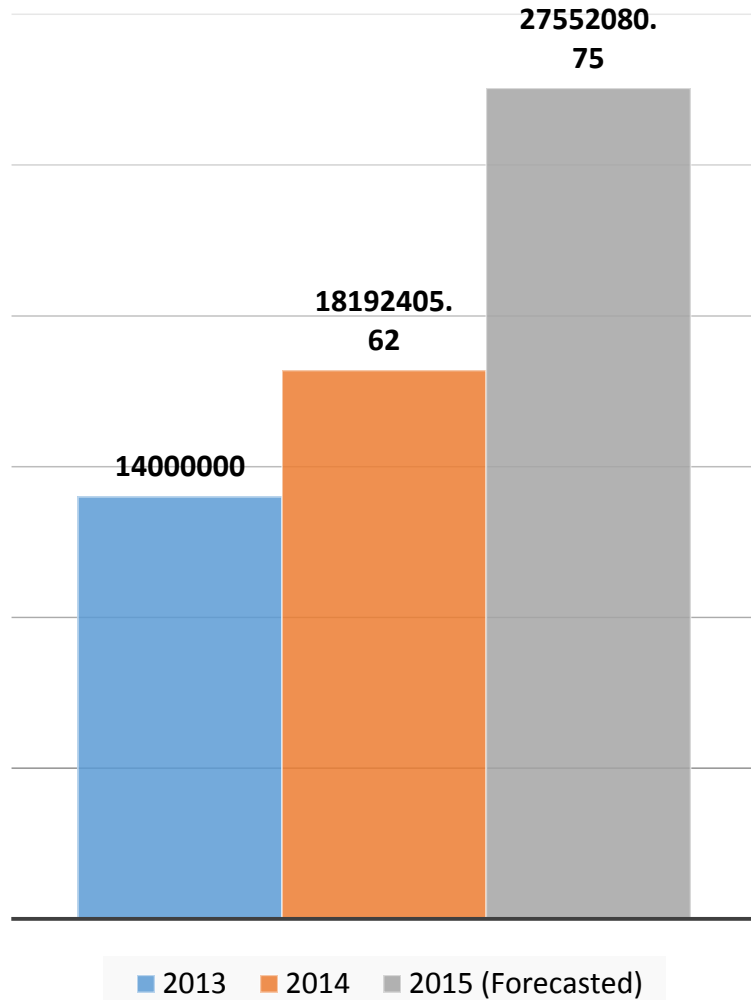
Advantages of the system:

- Tracks fuel inventory
- Simplifies Car fleet management
- Secures fuel inventory for authorized as well as reasonable use

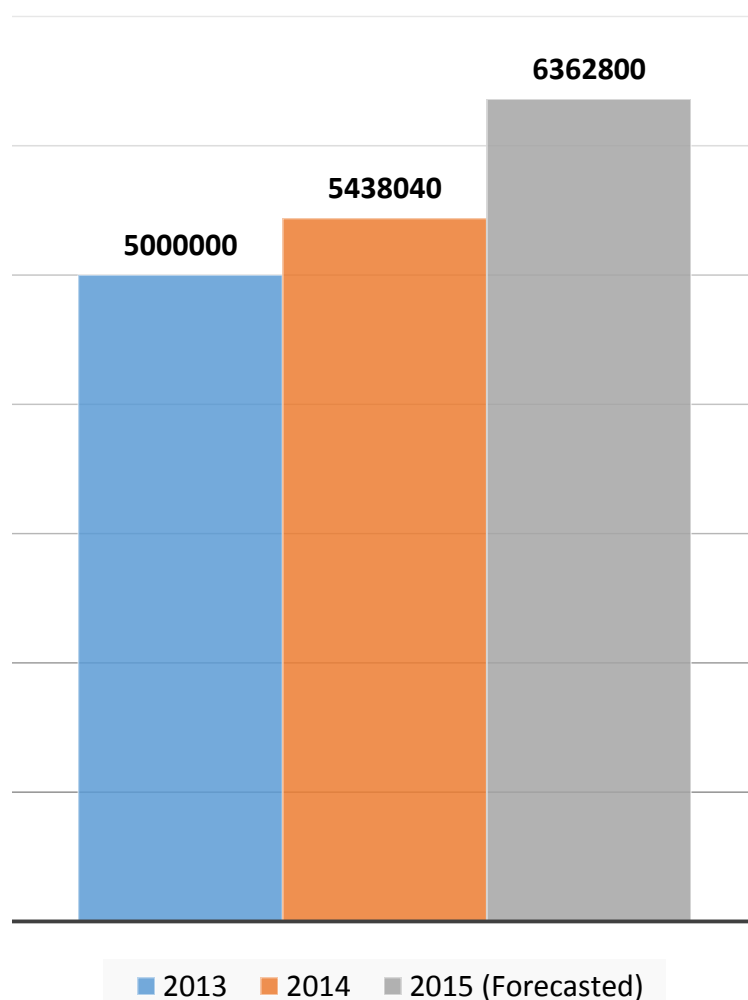
Since the implemented system is one of the most sophisticated, reasonable and prioritized method of controlling system, every single procuring entities' authorized car **must** fill up fuel with the “AGAI” system at an oil station.

Budgetary Funds Economy (shown in GEL)

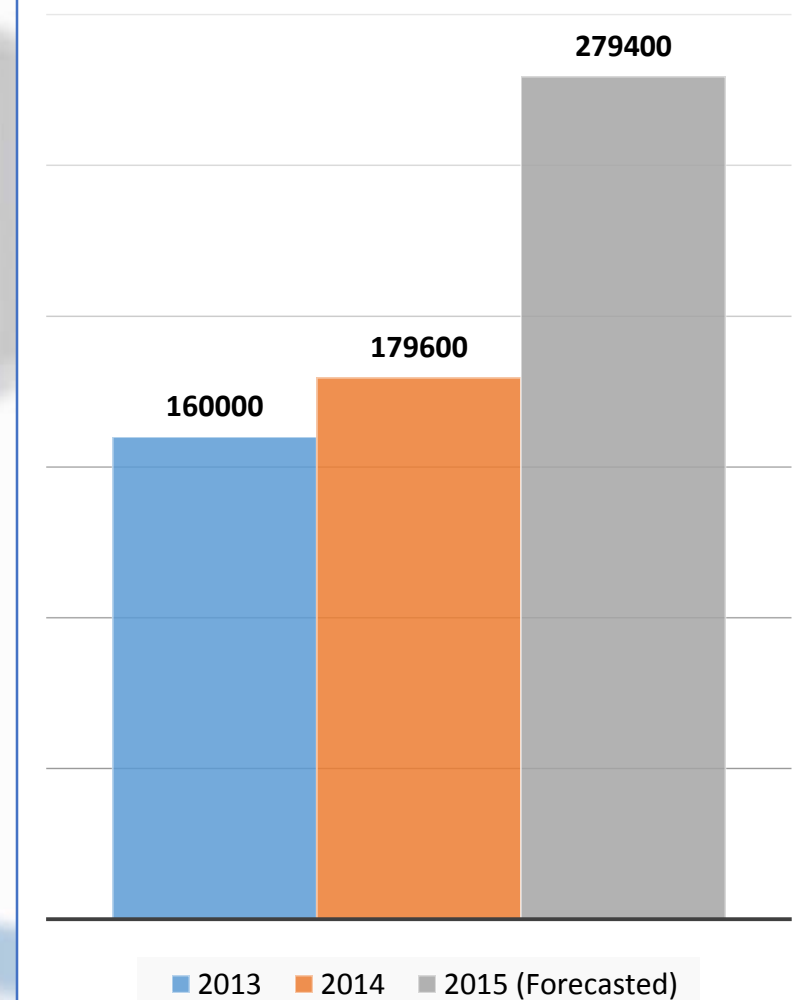
Fuel



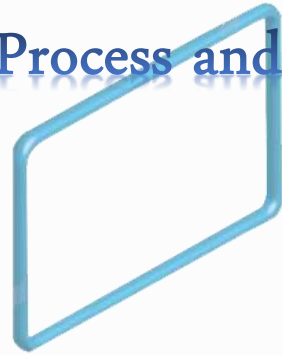
Computers



Paper



Monitoring Process and Methodology



Who Monitors ?

Direct

SPA Monitoring
Department

Tender Division

Division of Simplified
Contracts, Contests and
State Procurement Plans



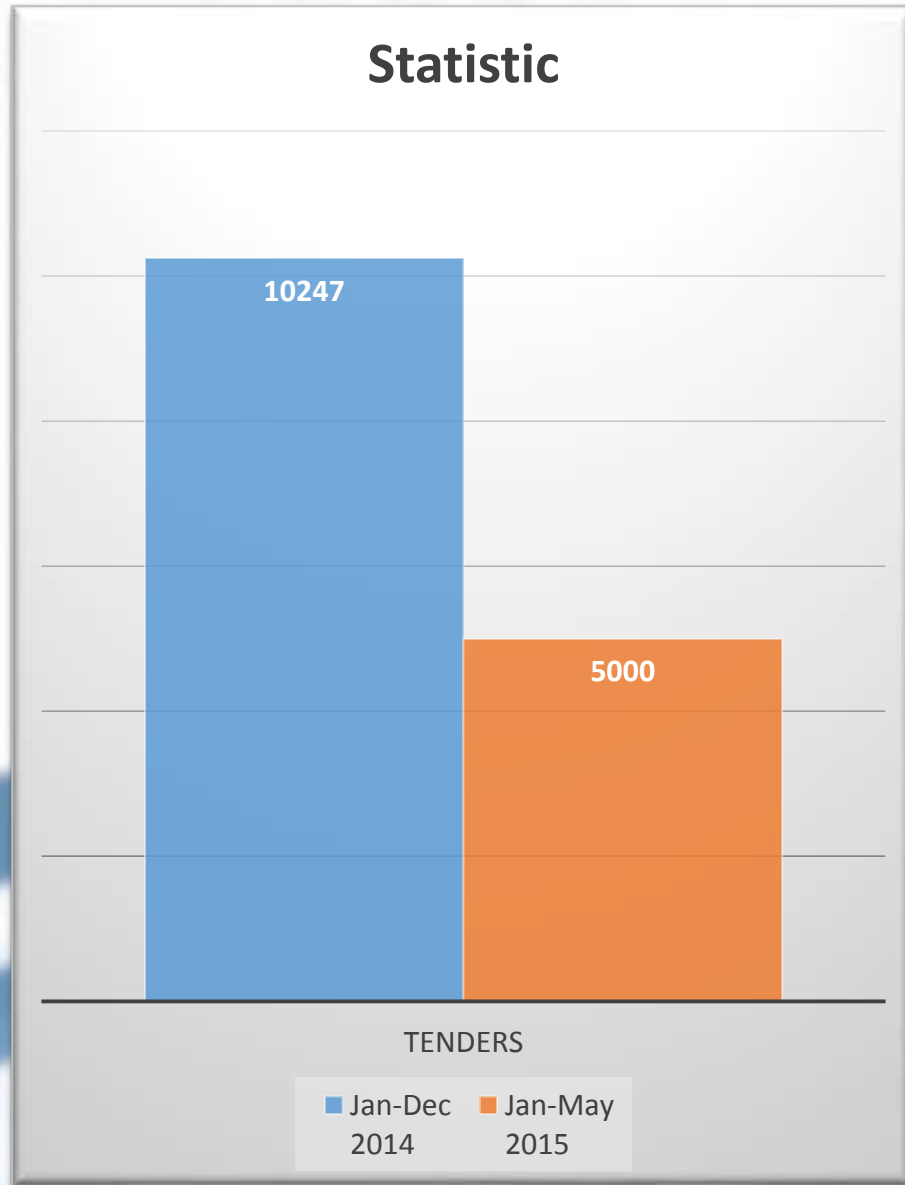
Indirect

Government

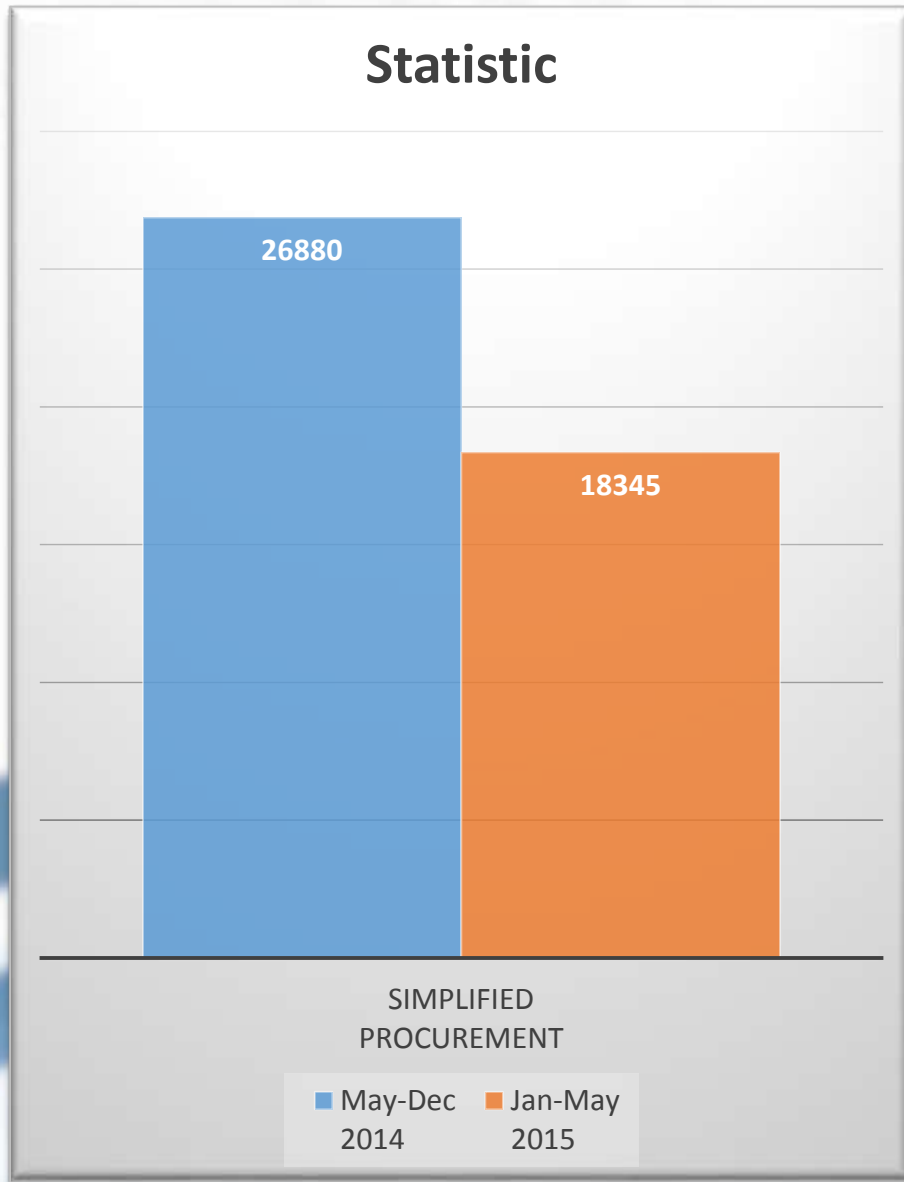
Civil Sector

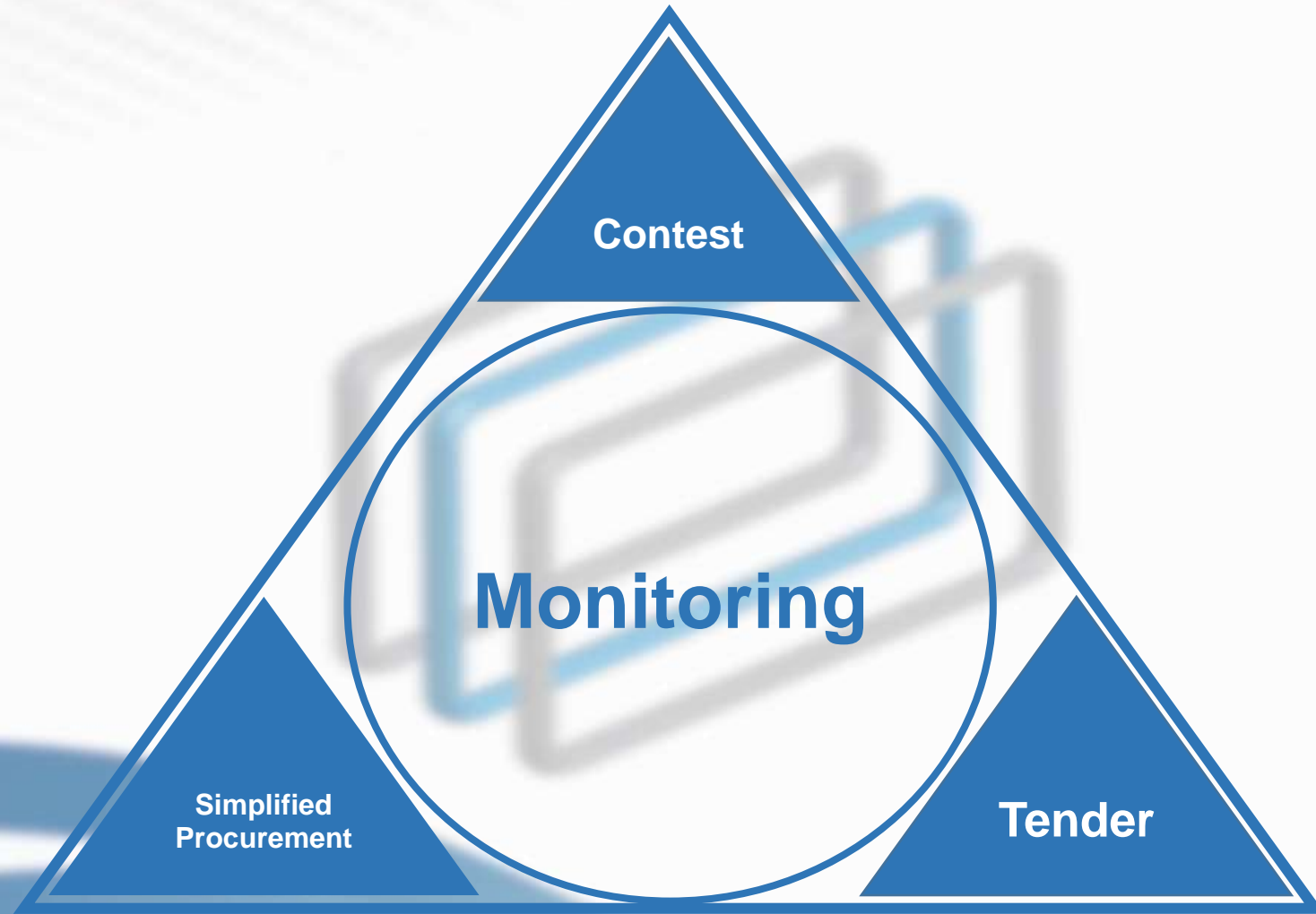
Business

Tender Monitoring Statistics 2014-2015



Simplified Procurement Monitoring Statistics 2014-2015





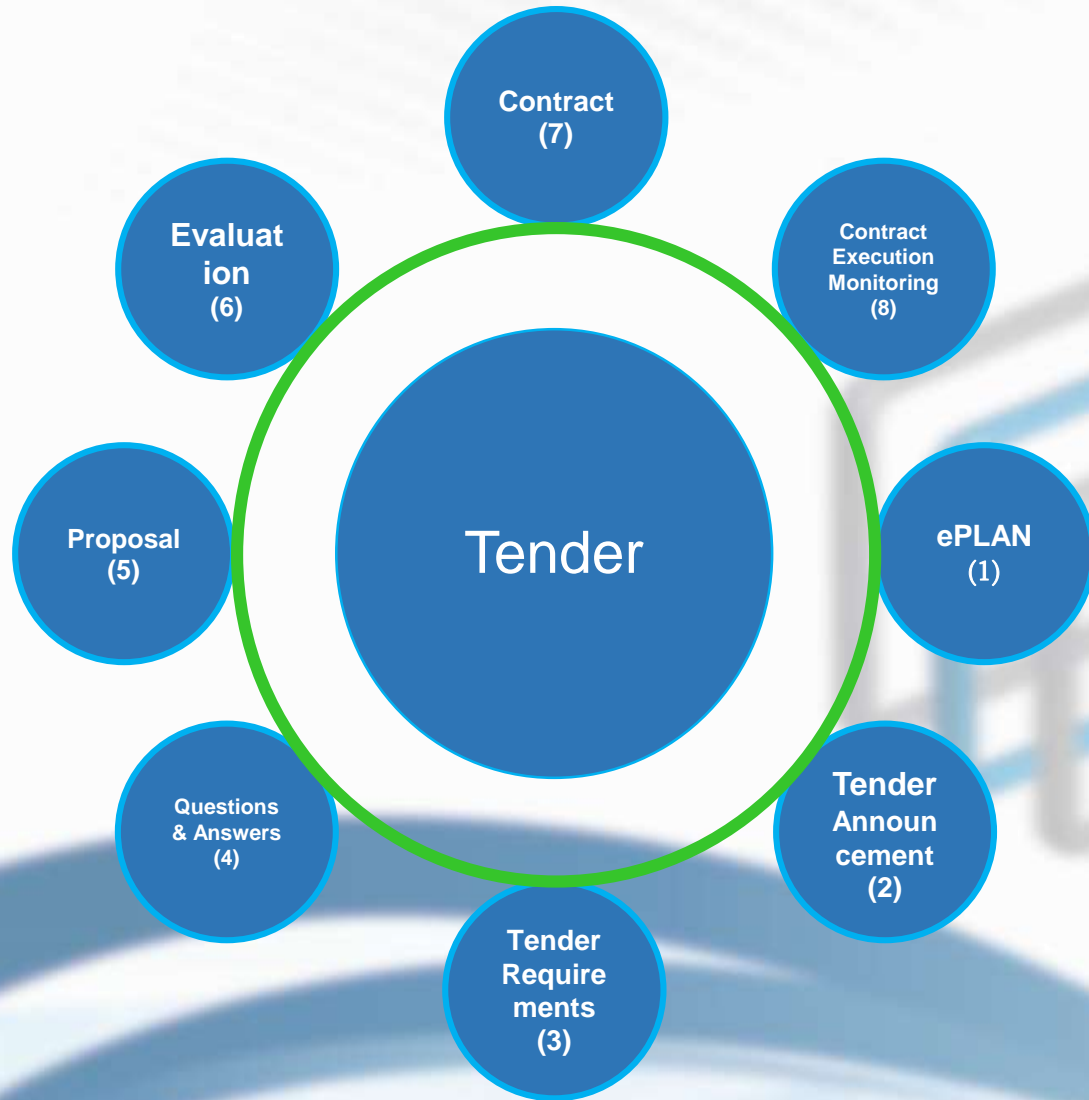
Contest

Monitoring

**Simplified
Procurement**

Tender

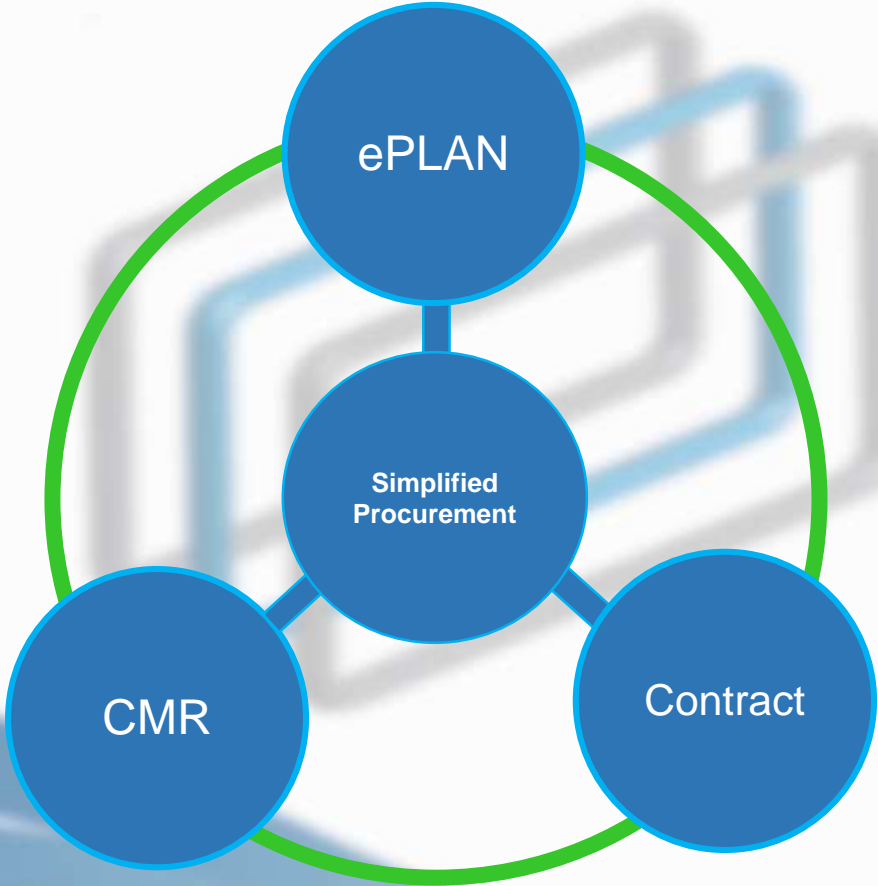
Tendering Procedures and associated risk factors



Groups by risk factors

Actual payment incomplete
After cancellation of tender
or delay in provision of the
new information about actual
information about actual
compliance with the
First time under the
basis for disqualification
supplier participated in,
Cases of noncompliant
after final legal status the
disqualifications
incomplete

Simplified Procurement Procedure



Methodology for detecting monetary limit violations, artificial division, artificial reduction of quantity/volume of the object required
as a part of the State Procurement process

- Common funding source
- Common CPV Code

5 000 GEL

Value of Agreement
By Simplified Procurement, within monetary limit



Total value of the agreements

- By Contest
- By Consolidated Tender
- By Electronic Tender
- Simplified Procurement, within monetary limit
- Simplified Procurement, required urgently
- By Simplified Electronic Tender

0 GEL

Methodology for detecting monetary limit violations, artificial division, artificial reduction of quantity/volume of the object required
as a part of the State Procurement process

- Common funding source
- Common CPV Code

200 000 GEL

Value of Agreement
By Simplified Electronic Tender (except for possible cases- by the Decree of the Government)



Total value of the agreements

- By Contest
- By Consolidated Tender
- By Electronic Tender
- Simplified Procurement, within monetary limit
- Simplified Procurement, required urgently
- By Simplified Electronic Tender

0 GEL

Methodology for detecting monetary limit violations, artificial division, artificial reduction of quantity/volume of the object required
as a part of the State Procurement process

- Common funding source
- Common CPV Code

According Procurement of the specific CPV division codes, under the same funding source, with Simplified Procurement, within monetary limit, the procuring organization has procured in the last 2 years with Electronic Tender.

2013 Year		2013									
	CPV Codes (main)	Estimated value	Purchasing Mean	Quarterly	Procurement Base	Financing source	Price -List	Two-phase	Alternative	Common	Comment
1.	22500000	65`000	simplified electronic tender	I, II, III, IV	in compliance with threshold	state budget	×	×	×	×	

2014 Year		2014									
	CPV Codes (main)	Estimated value	Purchasing Mean	Quarterly	Procurement Base	Financing source	Price -List	Two-phase	Alternative	Common	Comment
1.	22500000	55`325	simplified electronic tender	I, II, III, IV	in compliance with threshold	state budget	×	×	×	×	

2015 Year		2015									
	CPV Codes (main)	Estimated value	Purchasing Mean	Quarterly	Procurement Base	Financing source	Price -List	Two-phase	Alternative	Common	Comment
1.	22500000	3`000	simplified purchase	I, II, III, IV	in compliance with threshold	state budget	×	×	×	×	