



საბაღმწიფო შესყიდვების სააგენტო
STATE PROCUREMENT AGENCY



TENDERS



CONSOLIDATED
TENDERS



CONTESTS



DISPUTE RESOLUTION
BOARD



DONOR FUNDED
PROCUREMENT



EPROCUREMENT
TEST MODE



STATE PROCUREMENT AGENCY 2014 ANNUAL REPORT



WHITELIST



BLACKLIST



WARNED SUPPLIERS LIST



PROCUREMENT OF MCA-GEORGIA OFFICE FURNITURE
11.05.2015



MARKET RESEARCH
04.05.2015



INVITATION FOR BIDS
08.05.2015



REQUEST FOR PROPOSALS
04.05.2015



PROCUREMENT OF HIGH-SPEED DIGITAL PRINTING EQUIPMENT
04.05.2015



GENERAL PROCUREMENT NOTICE
30.04.2015



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STATE PROCUREMENT AGENCY

ANNUAL REPORT 2014

Tbilisi 2015



Levan Razmadze - Chairman of State Procurement Agency

Statement of the Chairman

2014 can be regarded as a breakthrough year for the State Procurement Agency and the users of the Unified Electronic System of State Procurement.

The State Procurement Agency team developed the policy for the reformation and sustainable development of the Unified Electronic System of State Procurement. As a result of joint efforts of the SPA and the executive and legislative authorities the state procurement regulatory framework and procedures were further improved, being subject to continuous reformation.

At the very beginning of 2014 the SPA initiated regular informative-consultative meetings with a view to presentation of the renovated services of the Unified Electronic System of State Procurement, legislative amendments and new procedures, identification and solution of regional problems. The series of meetings covered almost every region of the country.

In October 2014 the Training Centre was opened at SPA with a view to further enhancement of the qualification of procurement specialists of public entities and sharing knowledge.

As a result of building up the trust of business sector and civil society in Public Procurement Dispute Resolution Board, the number of complaints has significantly increased.

In 2014 the SPA launched the publication of monthly electronic magazine, which enables every interested person to get familiarized with the latest information about SPA activities, changes and novelties.

It is very important for us that the international organizations and non-governmental sector have highly appreciated our efforts. Specifically, the Organization for European Cooperation and Development (OECD), World Bank Group, Transparency International, European Bank for Reconstruction and Development (EBRD) are of a very high opinion of the state procurement legislation of Georgia, particularly in the context of transparency, efficiency of competition and public procurement. The performance of Public Procurement Dispute Board was highly commended also by the other organizations of the country.

The State Procurement Agency will further pursue the policy of successful reforms. I would herewith like to thank the Government and Parliament of Georgia for their great assistance in the course of reforms.

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State Procurement Agency Annual Report 2014 Introduction

Introduction

The enhancement of the efficiency and transparency of state procurement is the main goal and concern of the State Procurement Agency (hereafter SPA). The well-tuned operation of state procurement sector is of no less importance for country business sector. The involvement of SMEs in state procurement promotes the secure increase in their revenues, what, in its turn, has a positive impact on employment trends and overcoming poverty.

In April 2014, following the division of the Competition and State Procurement Agency, the LEPL - State Procurement Agency was created. On 23 April 2014 the Resolution N 306 of the Government of Georgia On Reorganization of the Legal Entity of Public Law – State Procurement Agency and Approval of the Charter and Structure of the Legal Entity of Public Law – State Procurement Agency came into force. Out of major duties of the SPA, particular attention should be made to the regular survey and analysis of the current situation in state procurement sector and submission of relevant proposals to the Government of Georgia, monitoring, prevention of shortcomings, further improvement of the Unified Electronic System of State Procurement (hereafter System) and development of human resources.

In 2014 the state procurement reform took the following trends: (see Scheme 1):

- Streamlining of the eProcurement system
- Further improvement of legal framework
- Intensification of public monitoring
- Development of human resources

Scheme 1



The state procurement plays an important part in sustainable development of national economy. Another proof of this duty of the SPA is the fact that 215 new procuring entities and 4,285 representatives of business sector joined the System in 2014. The foregoing, together with the other factors will have a positive impact on the economic development of the country, securing the sustainable disbursement of budgetary resources and continuous involvement of the entrepreneurs.

The share of public procurement in GDP is sustainably maintained, currently making its 10%. If in 2012 the net value of public procurement contracts amounted to GEL 2,771 billion, in 2013 the same showing totalled GEL 2.791 billion and in 2014 – GEL 2.847 billion.

In 2014 one of the main goals of SPA activities was the improvement of the existing System and further perfection of the legal framework. Based on the foregoing the portfolio of legislative amendments was drafted.

Insofar as public procurement legislation did not provide for detailed regulation of the procedure of procurement of design works (contest), the SPA undertook serious efforts in 2014 aiming at the introduction of unified and standard approach for contest business process. Both the principles of determination of evaluation criteria and supplier assessment algorithm were developed during the year, what was duly reflected in the first working draft of the contest procedure.

The introduction and further improvement of eProcurement considerably increased competition between suppliers. The electronical conduct of procurement procedures made tender participation non-bureaucratic, non-discriminatory and fully transparent. As a result the system minimized corruption risks and provided for considerable budgetary savings for the country. As a result of conducted reforms, The country has acquired the most transparent state procurement system during the past five years, which is being permanently improved and enhanced, the risk-factors are being identified and duly attended through automatic response system. The foregoing resulted in positive commends of procurers and the private sector.

In 2014 the SPA worked in several directions in the field of international relations. The cooperation with Georgia-based donors, international organizations and financial institutions became particularly intensive, bilateral relations were initiated with the respective procurement agencies of foreign countries.

The SPA was actively participating in drafting and implementation of both international agreements and national action plans; The Action Plan for the Implementation of the EU-Georgia Deep and Comprehensive Free Trade Agreement (DCFTA) for 2014-2017 in the field of public procurement was drafted; the comparative analysis of Georgian and EU procurement legislation was conducted for the implementation of the Action Plan.

Counter-corruption Action Plan for 2015-2016 was drafted, which defined strengthening of corruption fighting role of state procurement system as one of the priority directions. Within the framework of open and accountable management challenge the SPA was involved in drafting and implementation of Open Government Georgia Action Plan for 2014-2015. The SPA set the provision for better transparency of state procurement procedures and expansion of eProcurement system as its main goal in this respect.

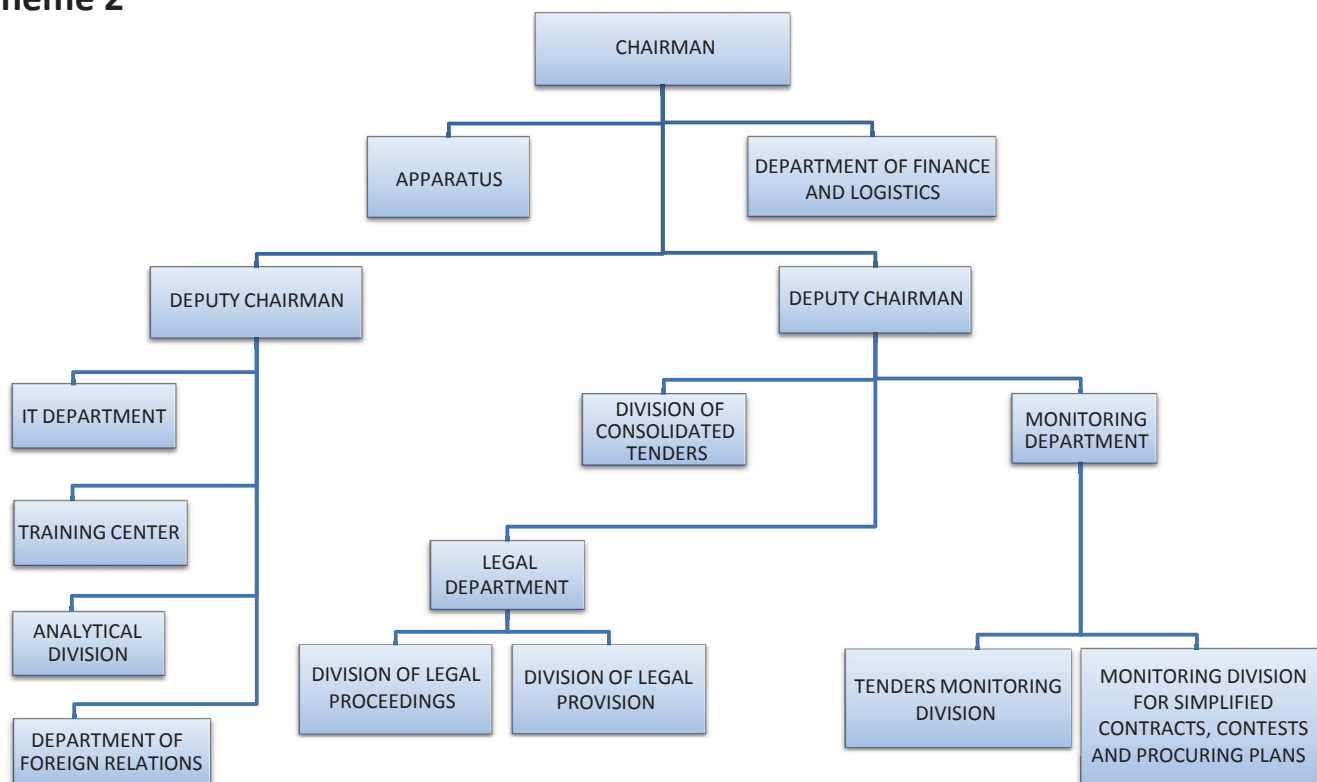
The notable achievements of the SPA were highly commended by various international organizations, amongst them: by the World Bank Group, Organization for Economic Cooperation and Development (OECD), United Nations Organization (UN), and Transparency International. The latter ranked Georgia as the best amongst 19 East European and Central Asia countries according to 2014 Corruption Perceptions Index.

SPA New Structure and Development of Human Resources

Commensurate with amendments introduced into the Law of Georgia on State Procurements, the Legal Entity of Public Law – Competition and State Procurement Agency was reorganized and the Competition Agency was separated from it from 15 April 2014. Instead the Legal Entity of Public Law – State Procurement Agency was created.

On 23 April 2014 Resolution N 306 of the Government of Georgia On Reorganization of the Legal Entity of Public Law – State Procurement Agency and Approval of the Charter and Structure of the Legal Entity of Public Law – State Procurement Agency came into force. As a result of reorganization the SPA structure underwent certain changes and the new structural units were created (see Scheme 2), which ensure the efficient implementation of SPA goals and tasks.

Scheme 2



In 2014 the SPA announced a competition for filling up vacancies at the new subdivisions. Total 2,968 applicants participated in the competition, of which 29 persons (12 women and 17 men) were appointed to respective offices.

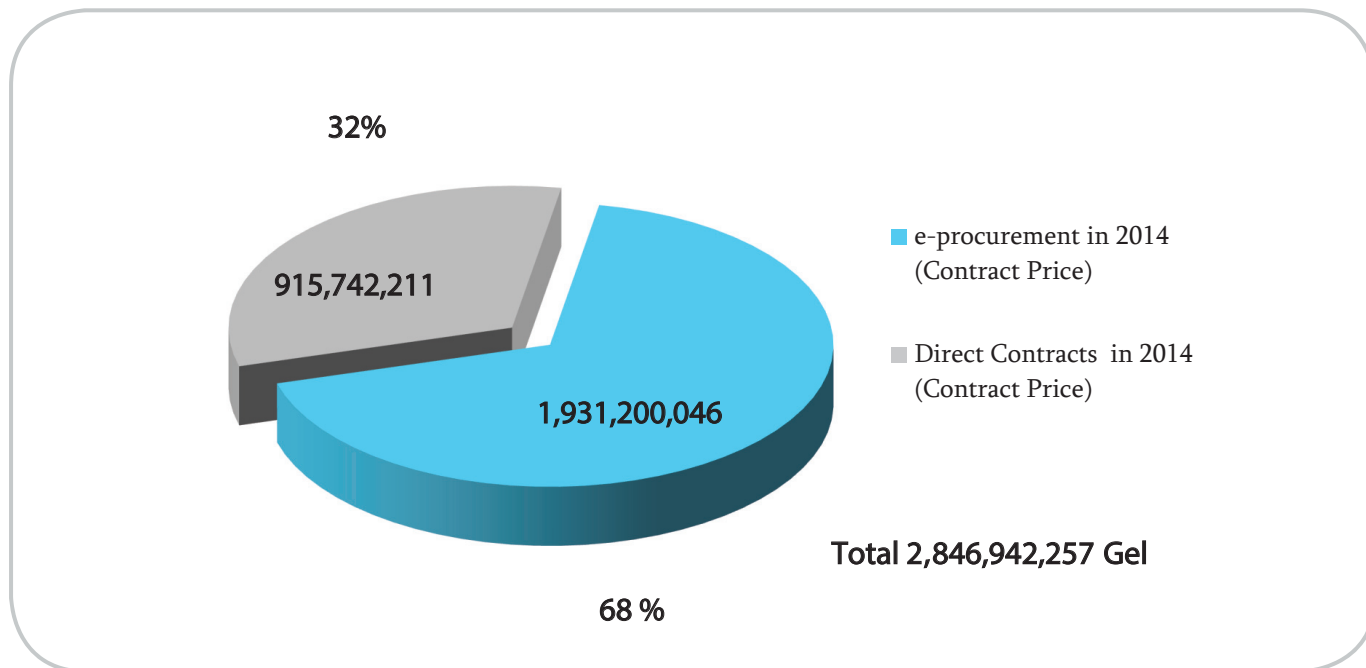
The SPA was one of the first organizations to implement the Electronic System for Human Resources Management - eHRMS for the improvement of the efficiency of human resources management.

Analysis of Basic Indices

State procurement is the important part of gross internal economic activity of the country. Its share in country gross domestic product amounts to approximately 10%. Hence, provision for transparent, competitive and fair environment for tender procedures is one of the main challenges of the country and direct obligation of the SPA.

In 2014 the net value of state procurement contracts amounted to GEL 2,846,942,257. During the same year the amount disbursed on procurements through simplified electronic tenders, electronic tenders, consolidated tenders and competition totalled GEL 1,931,200,046, what makes 68% of the net value of awarded contracts and exceeds the similar showing for 2013 by 7% (see Diagram 1). Respectively, the net value of contracts awarded through simplified procurement procedures was reduced in direct proportion highlighting the determination of the Government to conduct state procurement in the most competitive and transparent environment.

Diagram 1: Distribution of Accomplished State Procurement Transactions According to eProcurement procedures and Direct Contracts



The net estimated value of electronic and simplified electronic tenders, held in 2014 amounted to GEL 1,945,016,717, whilst the contractual value – to GEL 1,703,884,154 (see Diagram 4). Respectively, total GEL 241,132,563 were saved owing to eProcurement, amounting to approximately 12% of the estimated net value. As compared with previous years the reduction of economy of approximately two percentage points, against the background of increased interest of suppliers in state procurement (see Diagram 8) means, that, as a general rule, the procuring entities set the estimated values which are approximated to real market prices. This allows for regarding the foregoing as a positive trend.

The proportional distribution of the number of held electronic and simplified tenders and their contractual value according to the category of procurement objects proved to be quite different (see Diagram 2 and Diagram 3). Specifically, 54% of held tenders accounts for the procurement of goods, 25% - for the procurement of services and 21% - of construction works. The leader according to contractual value is the procurement of construction works, where total GEL 918,627,950 were expended in 2014. GEL 478,011,901 and GEL 307,244,303 were expended for the procurement of goods and services, respectively.

Diagram 2: Quantitative Distribution of eTenders according to Procurement Objects

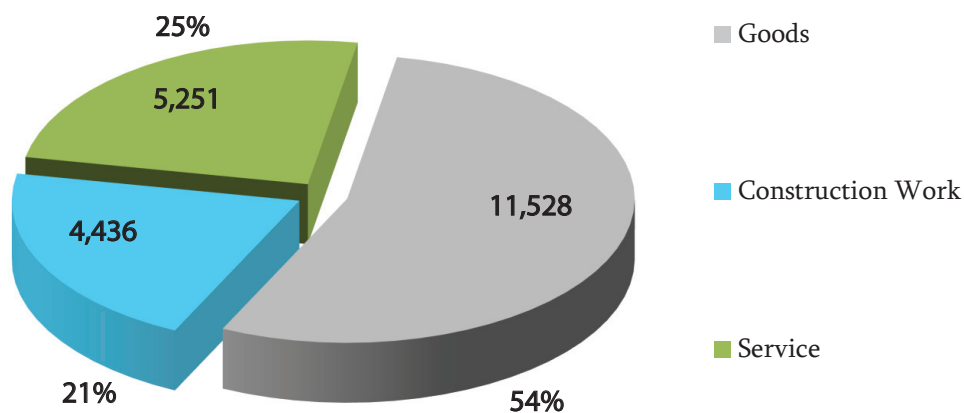
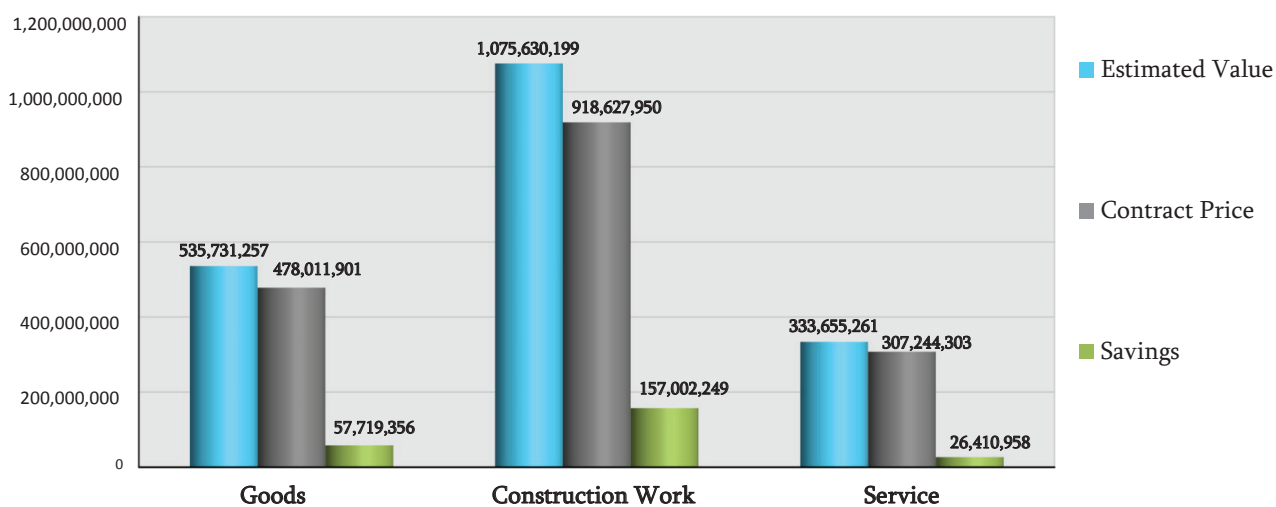


Diagram 3: Distribution of Tender Values according to Procurement Objects and Gained Economy



Total 31,303 electronic and simplified electronic tenders were announced in 2014, of which, as shown on Diagram 4, in 80% of tenders, both in 2013 and 2014, the estimated value was less than GEL 50,000, what makes state procurement, held through eProcurement system in a transparent manner, accessible for SMEs.

Diagram 4: Distribution of Estimated Value of Tenders in the Light of Prices

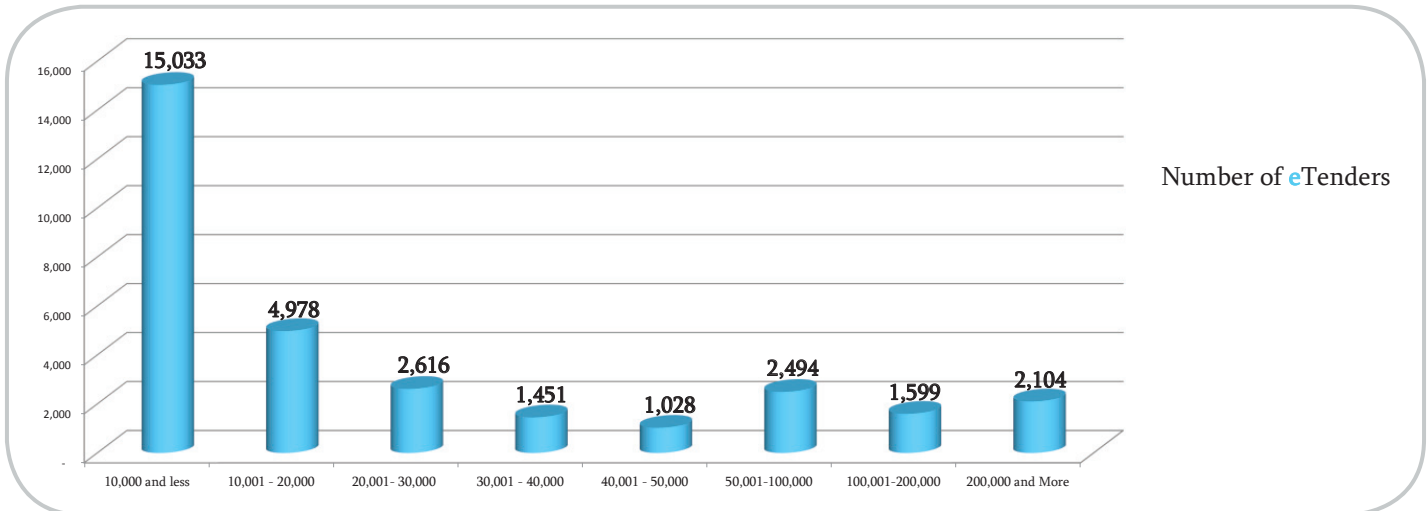
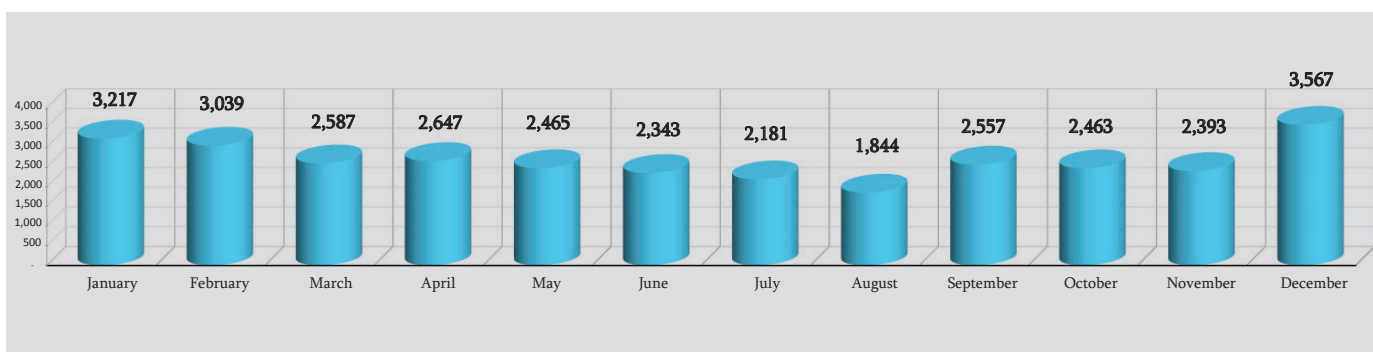


Diagram 5 shows the distribution of the number of announced tenders according to months. The Diagram evidences, that the activity of public sector considerably decreases in summer months, what, in the case of planned budget, provides for the abundance of transactions at the end of a year. The aforementioned requires better concentration of procuring entities at the stage of individual planning. With due consideration of these problems, the SPA prepared and published guidelines for pre-preparatory stage. These guidelines will assist interested persons in better planning and implementation of procurements.

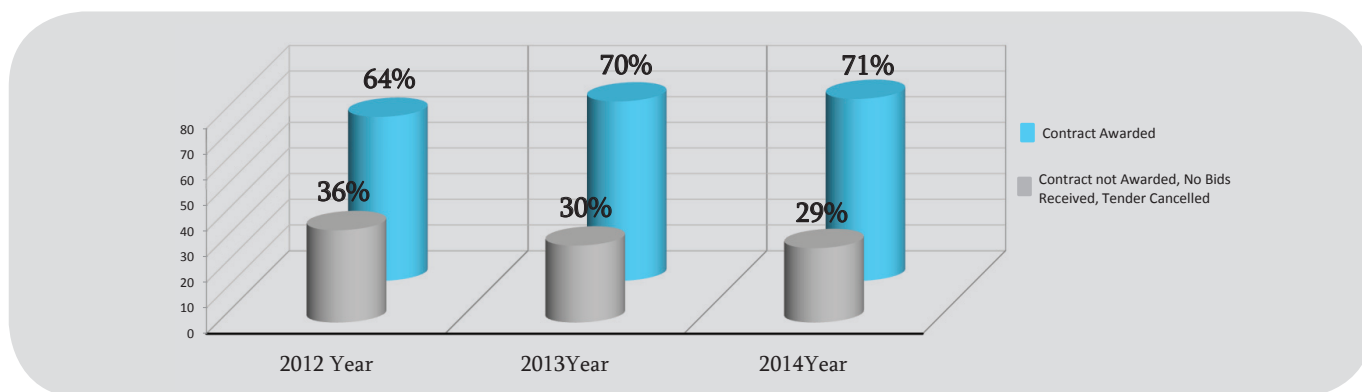
Diagram 5: Number of Announced eTenders according to Months



■ Number of Announced e-Tenders in 2014

By the end of 2014 the final status was awarded to 30,910 tenders. According to final statuses contracts were executed with regard to 71% of tenders. This showing exceeds similar figures for 2013 and 2012 by 1% and 7%, respectively (see Diagram 6). The increased interest of private sector in state procurement can be mentioned as one of the driving reasons of this process. On the other hand, successful holding of tenders greatly depends on the conduct of procurement planning and implementation processes by procuring entities in a highly qualified manner, what aims not only at adequate determination and formulation of the needs of the entity, but also at the identification of the factors obstructing businesses from tender participation and proper advancement of documentation. Based on surveys, conducted in 2014, the SPA believes that the quality of conduct of pre-preparatory stage by procuring entities is one of the main problems, what is proved by a large share of abandoned, terminated and failed tenders amongst total number of calls for tenders.

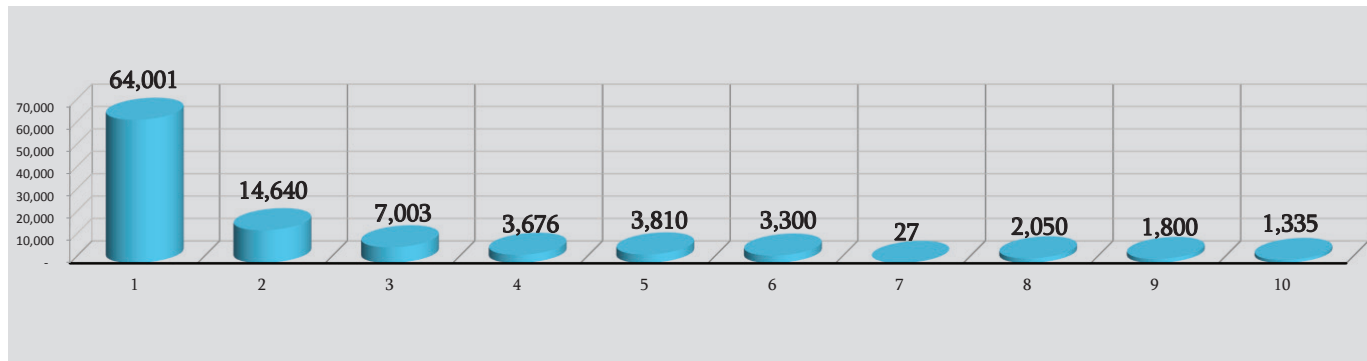
Diagram 6: Distribution of eTender Statuses according to Years



Irrespective of apparent progress, 29% share of abandoned, terminated and failed tenders still remains to be one of the major problems and challenges both for procuring entities and SPA.

Inadequately high economy, gained through certain tenders speaks for the problem of incorrect conduct of tender preparatory works and determination of inadequate estimated value (see Diagram 7). The showings of the same Diagram 7 clearly demonstrate the ability of eProcurement to reduce the initial estimated value, defined by procuring entity, being considerably higher than the market one, to actual market value.

Diagram 7: “Top 10 “ Tenders according to Price Reduction



■ Price Reduction

	Registration Number	Number of Suppliers	Estimated Value	Contract Price	Price Reduction	%
1	SPA14XXXXXX	21	69,000	4,999	64,001	92.8
2	SPA14XXXXXX	3	16,000	1,360	14,640	91.5
3	SPA14XXXXXX	2	7,600	597	7,003	92.1
4	SPA14XXXXXX	3	3,850	174	3,676	95.5
5	SPA14XXXXXX	2	3,840	30	3,810	92.2
6	SPA14XXXXXX	3	3,675	375	3,300	89.8
7	SPA14XXXXXX	2	360	333	27	90.8
8	SPA14XXXXXX	3	2,300	250	2,050	89.1
9	SPA14XXXXXX	2	1,900	100	1,800	94.7
10	SPA14XXXXXX	6	1,500	165	1,335	89.0

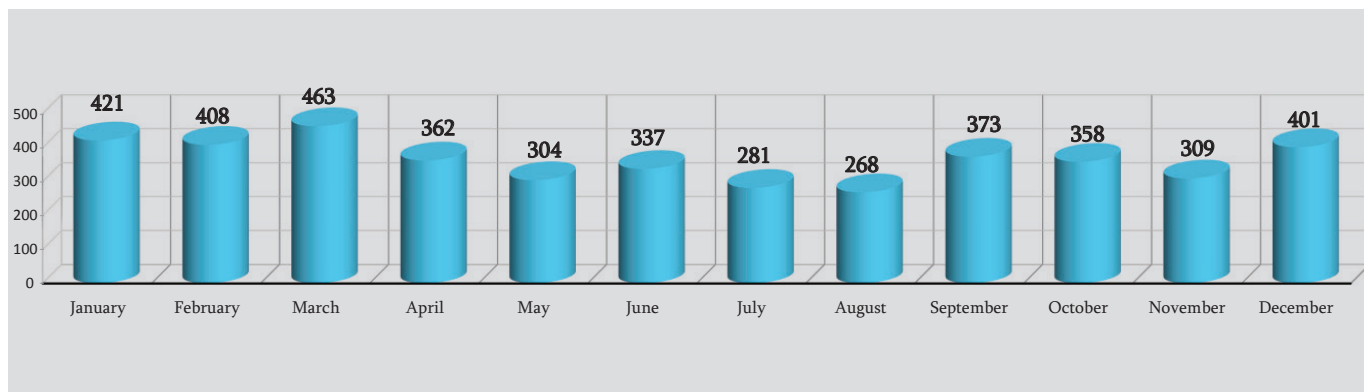
As mentioned above, accounting for the aforementioned problems, the SPA developed relevant guidelines for the preparatory stage, which guidelines are focused on key issues like: annual and individual planning of procurements, correct distribution of responsibilities during the planning process, supply market survey methodology, proportional determination of qualification and technical requirements and development of specifications. Apart from Guidelines, the SPA founded a training centre in October 2014 for the solution of existing problems. The Centre enables the respective personnel of procuring entities to master their qualifications¹.

The increased interest of businesses in state tenders is demonstrated by the dynamics of growth of the number of suppliers registered with the system as compared with previous year (see Diagram 8). In 2014 the eProcurement system was joined by total 4,285 new potential suppliers and ultimately, by the end of

¹ Note: For detailed information about the Training Centre see Chapter 4 of this Report.

the year, the number of suppliers registered with the System amounted to 19,911, what makes 18.5%² of active businesses operating within the country. These results can be accounted for recent successful reforms of the SPA and eProcurement streamlining.

Diagram 8: Number of Registered Suppliers in the System in 2014 Year



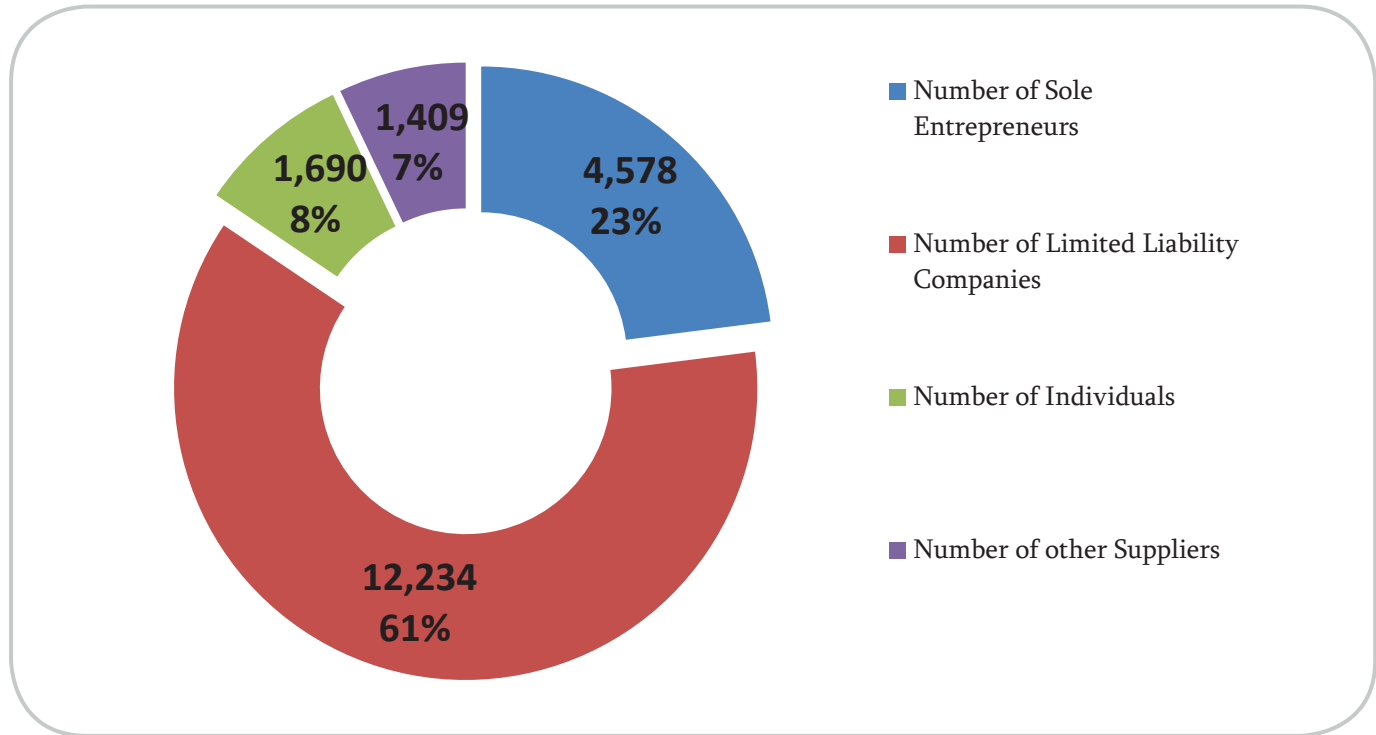
■ Number of Registered Suppliers

Period	Number of Registered Suppliers in 2012	Number of Registered Suppliers in 2013	Number of Registered Suppliers in 2014
January	495	443	421
February	472	493	408
March	358	397	463
April	272	408	362
May	318	338	304
June	308	358	337
July	280	374	281
August	215	329	268
September	157	330	373
October	152	340	358
November	198	346	309
December	283	420	401
Total	3,508	4,576	4,285

The two biggest groups of System registered suppliers according to their legal form are: LLCs (61%) and sole entrepreneurs (23%). As of 2014 the number of LLCs, registered with the System increased from 9,677 to 12,234, making approximately 27% of active LLCs operating within the country (see Diagram 9). The number of sole entrepreneurs registered with the System increased from 3,742 to 4,578, what equals to 8% of active sole entrepreneurs operating within the country.

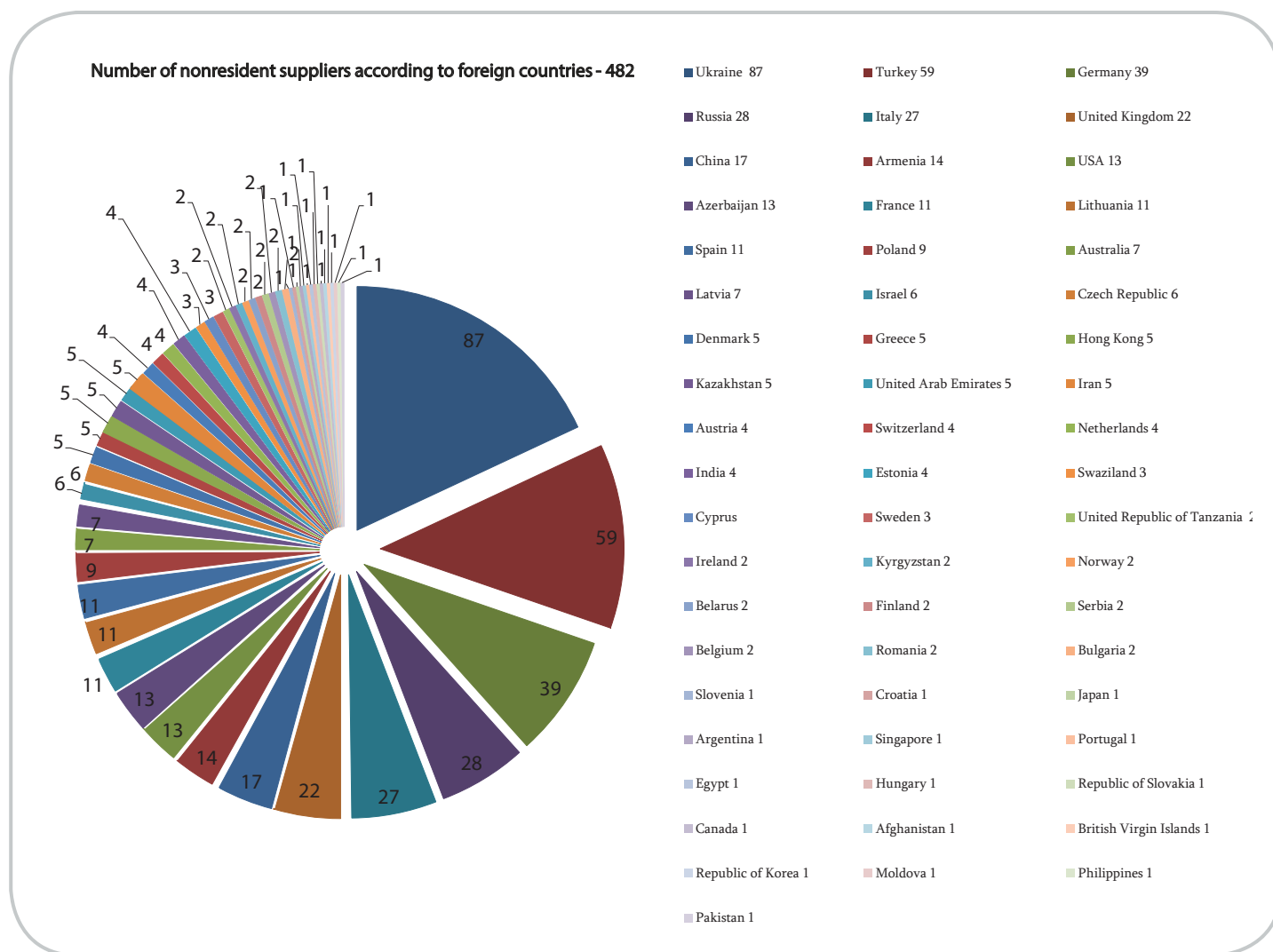
² The data are taken from the materials provided by National Statistics Service of Georgia - GEOSTAT.

Diagram 9: Distribution of Registered Suppliers according to Their Organizational Forms



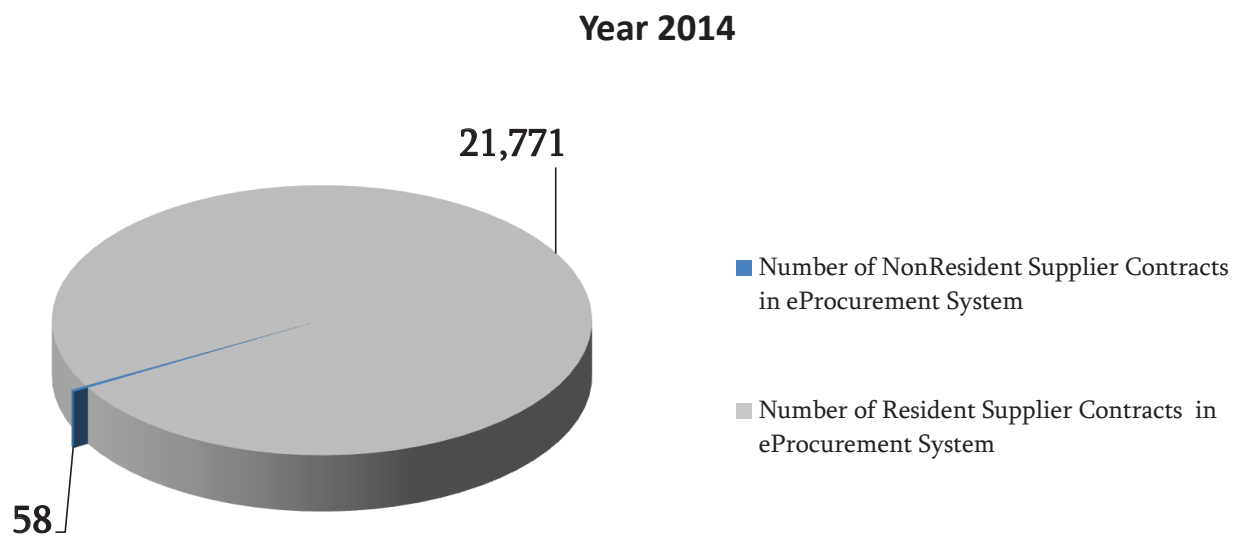
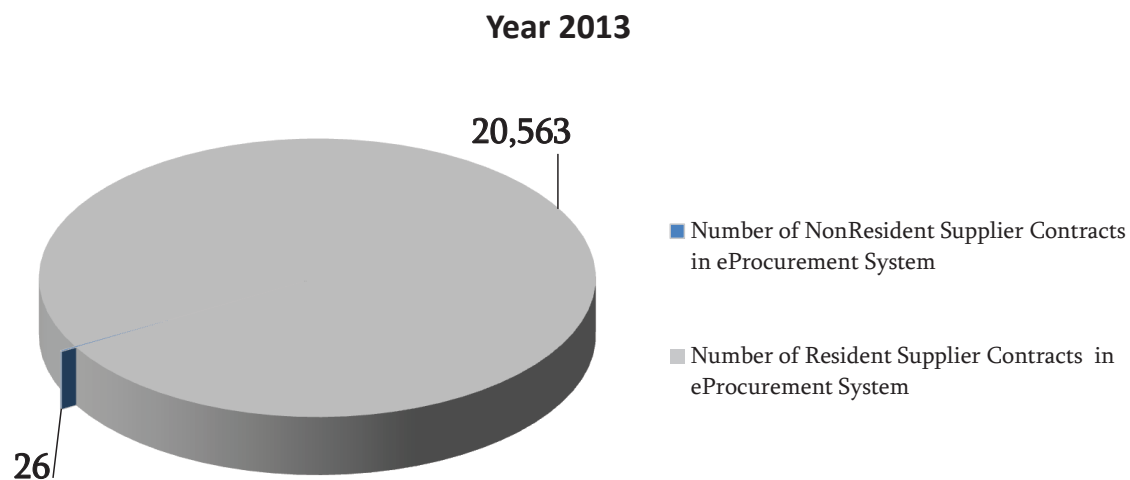
The eProcurement system witnesses the living up of not only local, but foreign companies as well. Free access to state procurement for foreign companies is conditioned by several factors: as of to date the operating languages of the SPA Webpage and the System are Georgian and English, state procurement regulatory framework is published both in the Georgian and English languages on the official web-page of the SPA and the eProcurement integrates the CPV-classifier of procurement objects, developed by the European Union, which simplifies the identification of tenders that might be interesting for foreign companies. Furthermore, when the estimated value of goods or services to be procured exceeds GEL 2,000,000, and the estimated value of works – GEL 4,000,000, a procuring entity is required to publish a call for a tender in the System in the English language as well – pursuant to Paragraph 12 of Article 8 of Order N9 of SPA Chairman, dated 7 April 2011. As a result, as of data for December 2014, the number of non-resident (foreign) companies registered with the system exceeded 480. The distribution of foreign companies according to countries is given below, in Diagram 10.

Diagram 10: Distribution of Non-resident Companies according to Foreign Counties

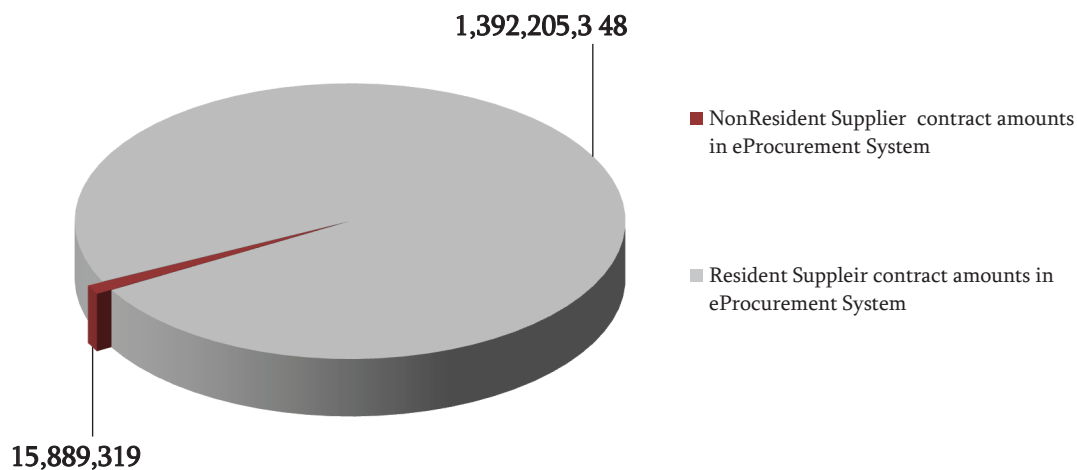


As demonstrated by Diagram 11 total 58 contracts were awarded to non-resident suppliers through the System in 2014, the net value of which contracts amounted to GEL 82,254,335, with this figure being 5.2 times higher than the similar showing for 2013 by.

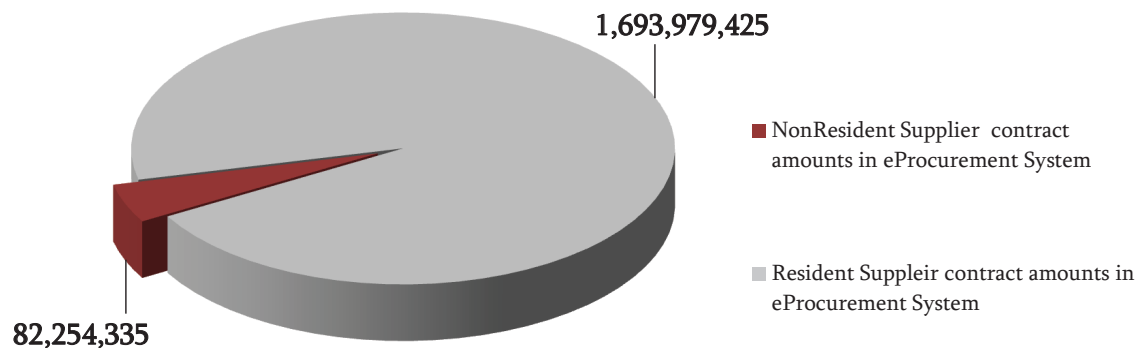


Diagram 11: Contracts Awarded to Non-resident Suppliers

Year 2013

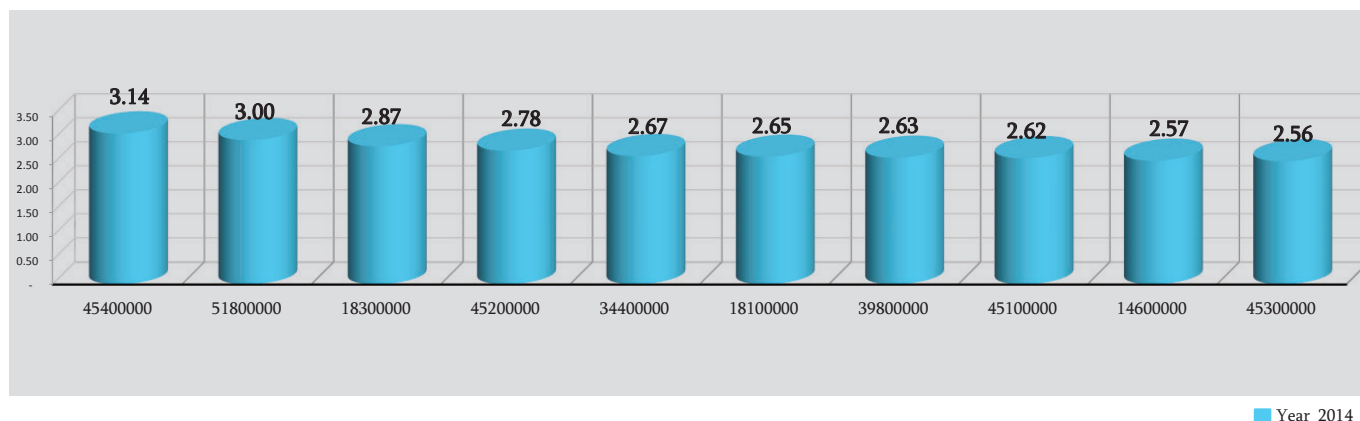


Year 2014



As of 2014 the average number of bidders in a tender amounted to 2.02. As demonstrated by Diagram 12 the average number of bidders exceeded 3 in certain procurement categories.

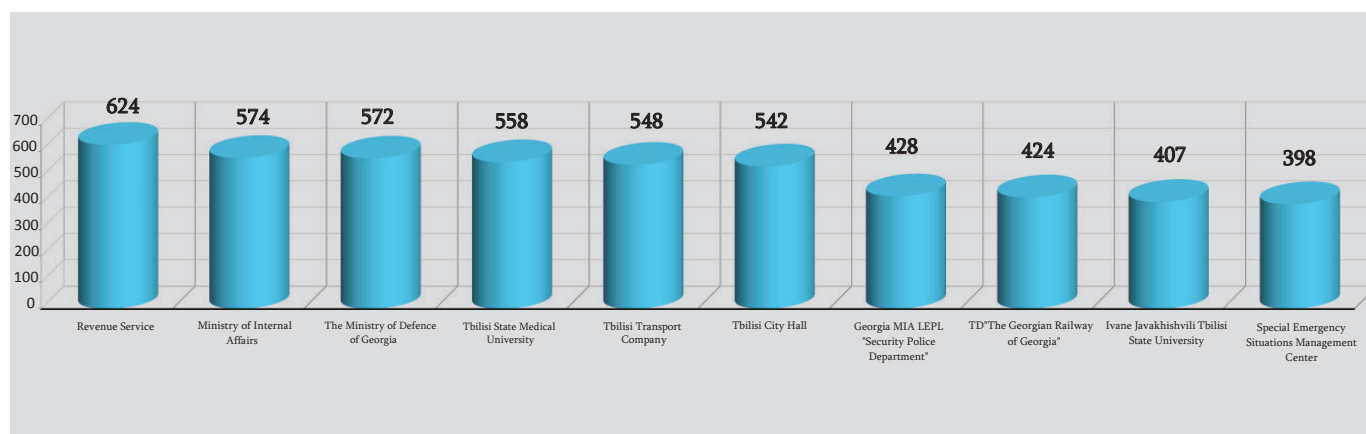
Diagram 12: “Top 10” Procurement Categories in 2014 according to Average Number of Bidders



	CPV Code	Number of e-tenders	Number of Suppliers	Ave. Number of Suppliers	Savings
1	45400000 - Building completion work	1,174	3,685	3.14	24,568,827
2	51800000 - Installation services of metal containers	1	3	3.00	14,775
3	18300000 - Garments	31	89	2.87	178,284
4	45200000 - Works for complete or part construction and civil engineering work	2,507	6,967	2.78	124,599,549
5	34400000 - Motorcycles, bicycles and sidecars	3	8	2.67	9,362
6	18100000 - Occupational clothing, special workwear and accessories	78	207	2.65	653,979
7	39800000 - Cleaning and polishing products	98	258	2.63	267,481
8	45100000 - Site preparation work	151	396	2.62	2,338,705
9	14600000 - Metal ores and alloys	7	18	2.57	17,604
10	45300000 - Building installation work	550	1,408	2.56	10,735,918
Total		4,600	13,039		163,384,484

Diagram 13 offers the list of “Top 10” procuring entities in 2014 according to the number of announced electronic and simplified electronic tenders.

Diagram 13: “Top 10” Procuring Entities in 2014 according to Number of Announced Tenders



■ 2014 Year

	Procuring Entities	Number of Announced e-tenders	Estimated Value
1	Revenue Service	624	26,433,078
2	Ministry of Internal Affairs	574	133,450,727
3	The Ministry of Defence of Georgia	572	3,341,228,359
4	Tbilisi State Medical University	558	31,966,138
5	Tbilisi Transport Company	548	29,897,784
6	Tbilisi City Hall	542	187,098,174
7	Georgia MIA LEPL "Security Police Department"	428	29,922,329
8	TD "The Georgian Railway of Georgia"	424	98,117,507
9	Ivane Javakhishvili Tbilisi State University	407	6,348,586
10	Special Emergency Situations Management Center	398	28,142,325
	Total	5,075	3,912,605,007

Innovations in Public Procurement

Changes to the Law in Force

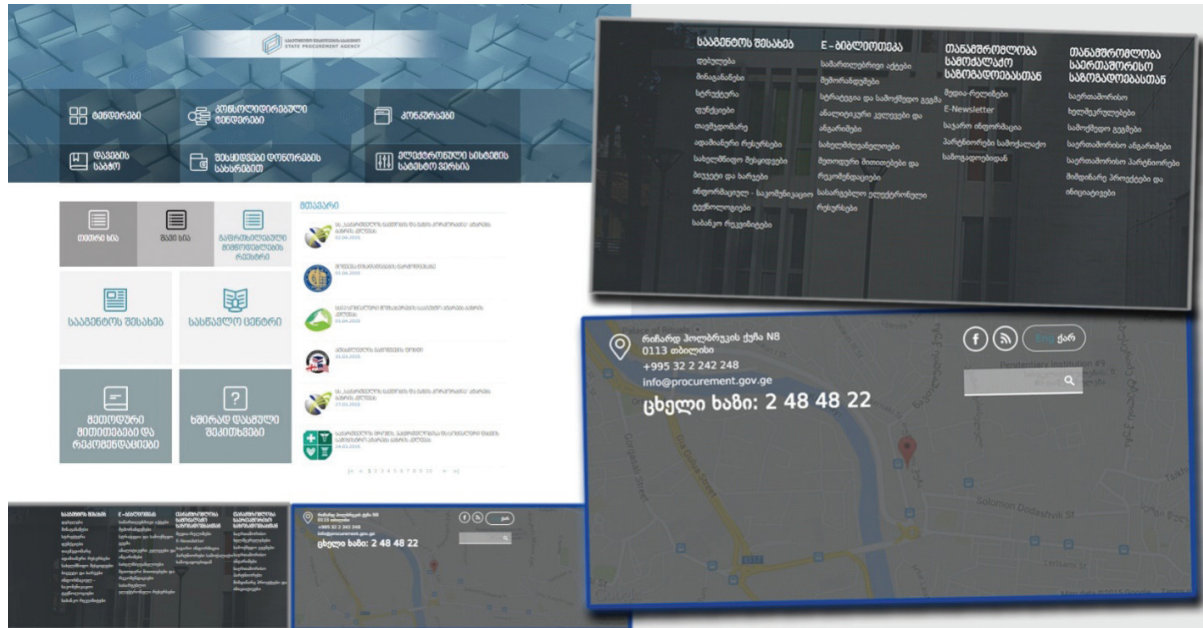
For further advancement of state procurement procedures, several changes and amendments were made to legal framework regulating state procurement, specifically:

- Rules related to the maintenance of the Black List were redrafted, which provide for abiding by principles of proportionality, proportional protection of public and private interests upon making relevant decisions. The timelines for Black List related administrative proceedings were regulated;
- Based on the requirements of the Organic Law of Georgia on the Code of Local Self-governance, the person/body responsible for granting permission for holding a simplified procurement by a local self-governance executive body due to some urgent necessity, what will considerably accelerate procurement procedures;
- Starting from first of October 2014 the SPA Dispute Resolution Board has been applying 15 days-long appealing deadline, thus accelerating complaint review process both for complainants and procuring entities;
- The question of registration in the Black List in the case of non or inadequate fulfilment of contractual obligations stemming from a consolidated tender was regulated;
- Draft amendments to the Law of Georgia on State Procurement and respective sub-legal normative acts were prepared aiming at further improvement of procurement procedures;
- The internal organizational procedure of maintenance of the Black List was simplified and improved. As of to date the respective legal and factual reasoning are contained in a case resolution order, thus harmonizing it with the requirements of the General Administrative Code of Georgia.

Streamlining of the Unified Electronic System of State Procurement – eProcurement

- In 2014 SPA developed and introduced the automatic messaging system, meaning the identification of problematic tenders, as well as shortcomings and errors of procuring entities according to certain risk-factors.
- The electronic modules of contests, Dispute Resolution Board, e-PLAN and CMR were streamlined.
- Special electronic platform was designed, created and introduced into -the System for the conduct of state procurement with donor resources. Furthermore, the Manual for Conducting Electronic Procurement Procedures with Donor Resources was drafted under the participation of SPA personnel, its publication being funded by the World Bank.
- Brand new and unique testing software for centre attendees testing and evaluation was developed for SPA Training Centre within the framework of electronic services development plan.
- It should as well be mentioned that entirely new official webpage of SPA was created in 2014 (www.procurement.gov.ge) with markedly modern, refined, laconic design and simple navigation. The most demanded services and retrievable documents are displayed prominently, ensuring instant access to required information for users.
- SPA new webpage is also published on e-Cloud platform of Financial-Analytical Office of the Ministry of Finance. This advanced technology ensures system sustainability, service continuity and high level of cyber-security.
- With a view to simplifying communication with registered users of eProcurement system, it became possible for the SPA to officially communicate with the users using e-mail addresses, mentioned in their profiles, what considerably improved the efficiency of administrative proceedings.





Creation and Operation of Training Centre

In 2014 a new structural subdivision – Training Centre was created in SPA to retrain the procurement specialists of procuring and supplier entities.

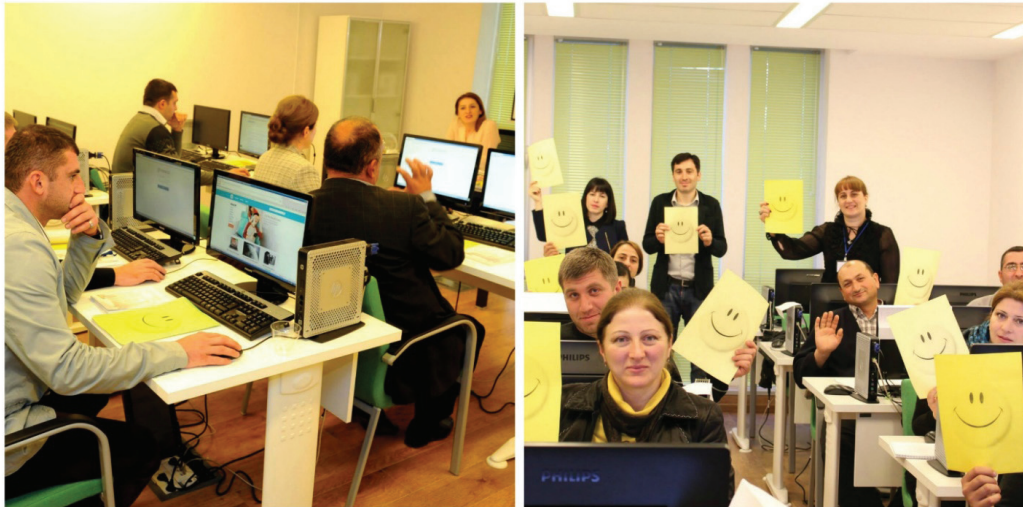


workshops, improvement of personnel professional skills, their participation in internship programmes and promotion of further employment.



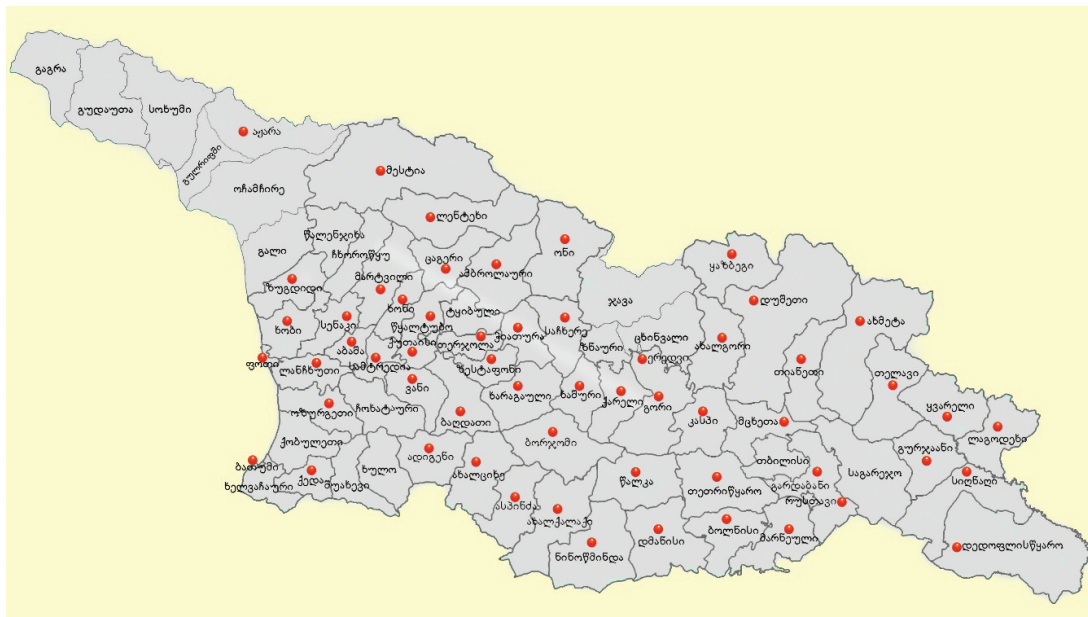
The training course is led by highly qualified experts of state procurement field, who are selected according to their knowledge, qualification and experience. The training course is fully funded by SPA.

In 2014 two series of trainings were arranged by the Training Centre under the participation of attendees from all the regions of Georgia. The specialists from the City Halls and Boards of 60 municipalities and self-governing cities comprised six work groups. Total 92 attendees were retained in 2014.



The red dots on the map below indicate the administrative-territorial units who delegated their procurement specialists for the participation in trainings organized by SPA Training Centre (see Picture 1).

Picture 1



Monitoring of Procurement Process

One of the main duties and tasks of the SPA is to monitor tenders announced in the System and state procurement contracts uploaded into CMR model.

In 2014 the tenders which were filtered out according to various risk-factors and criteria were monitored.

During 2014 the Monitoring Department monitored over 10,000 tenders with “Contract Awarded” status, what is more than 51% of overall amount of tenders with this status.

Also 3,000 tenders were processed having statuses: “Tender Terminated,” “Tender Abandoned” and “Tender Failed.”

Furthermore, the Monitoring Department monitored up to 30,000 contracts awarded through simplified procurement procedure and revealed the cases of violation of value thresholds and artificial splitting.

Up to 2,000 written messages were sent out with regard to violations revealed as a result of monitoring, with regard to which violations the SPA limited itself mainly to recommendations.

The SPA has drawn up 30 reports on administrative offences within its terms of reference, which reports were referred to the court for further proceedings.

Of 30 offence reports drawn up by the SPA the court dismissed 1 case, in the case of 27 administrative reports court limited itself to admonition and did not fine the lawbreakers and in 2 cases the fine in amount of GEL 1500 was applied.



Consolidated Tenders

For efficient allocation of budgetary resources, under the assignment of the Government of Georgia, the SPA has been conducting consolidated tenders through the System with regard to certain procurement objects (fuel, computers, printing paper, mobile telephone services) since 2012.

With a view to conducting procurements through consolidated tenders in 2014 total five consolidated tenders were announced in 2013-2014 for four categories of oil products (fuel), four tenders for standard PCs and standard portable computers, two tenders – for printing paper and mobile telephone services.

To conduct procurement through consolidated tenders in 2015, the SPA drafted and published new normative acts according to established procedure in 2014, based on its past experience. On the basis of these acts, with a view to conducting procurement through consolidated tenders in 2015 via the System, the SPA made seven calls for consolidated tenders in December 2014 for the procurement of five categories of oil products (fuel) and two tenders for standard PCs and standard portable computers, also in the first quarter of 2015 three consolidated tenders were announced and held for the procurement of mobile telephone services mobile telephone services and two categories of printing paper.

As a result of consolidated tenders over 35 million GEL were saved in 2014.

Currently the SPA is intensively engaged in analytical and research activities to identify the procurement objects, the procurement of which through consolidated tenders will be justified in the context of the principle of efficient disbursement of budgetary resources.

Design Contests

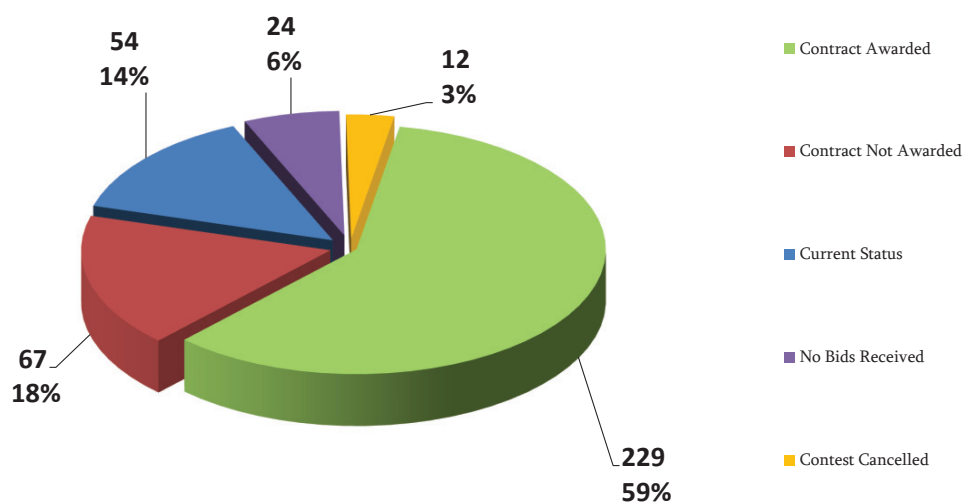
A contest is an alternative to a tender mean of procurement, through which design services of any type and content can be procured.

Insofar as procurement legal framework did not provide for detailed regulation of the procedure of procurement of design works (contest), major efforts were undertaken in 2014 aiming at the introduction of uniform and standard business process. Both the principles of determination of evaluation criteria and supplier evaluation algorithm were developed, what was duly reflected in draft procedure of holding a contest. As a result of these efforts all the preconditions necessary for launching streamlined module of contest in the System were met.

Every contest related information or document is published on the official webpage of SPA <http://contest.procurement.gov.ge> and is accessible for any interested person.

Total 386 contests were announced in 2014, the statuses of which contests are given in Diagram 14.

Diagram14: Announced Design Contests according to Statuses



Total 386 Design Contests Announced in 2014

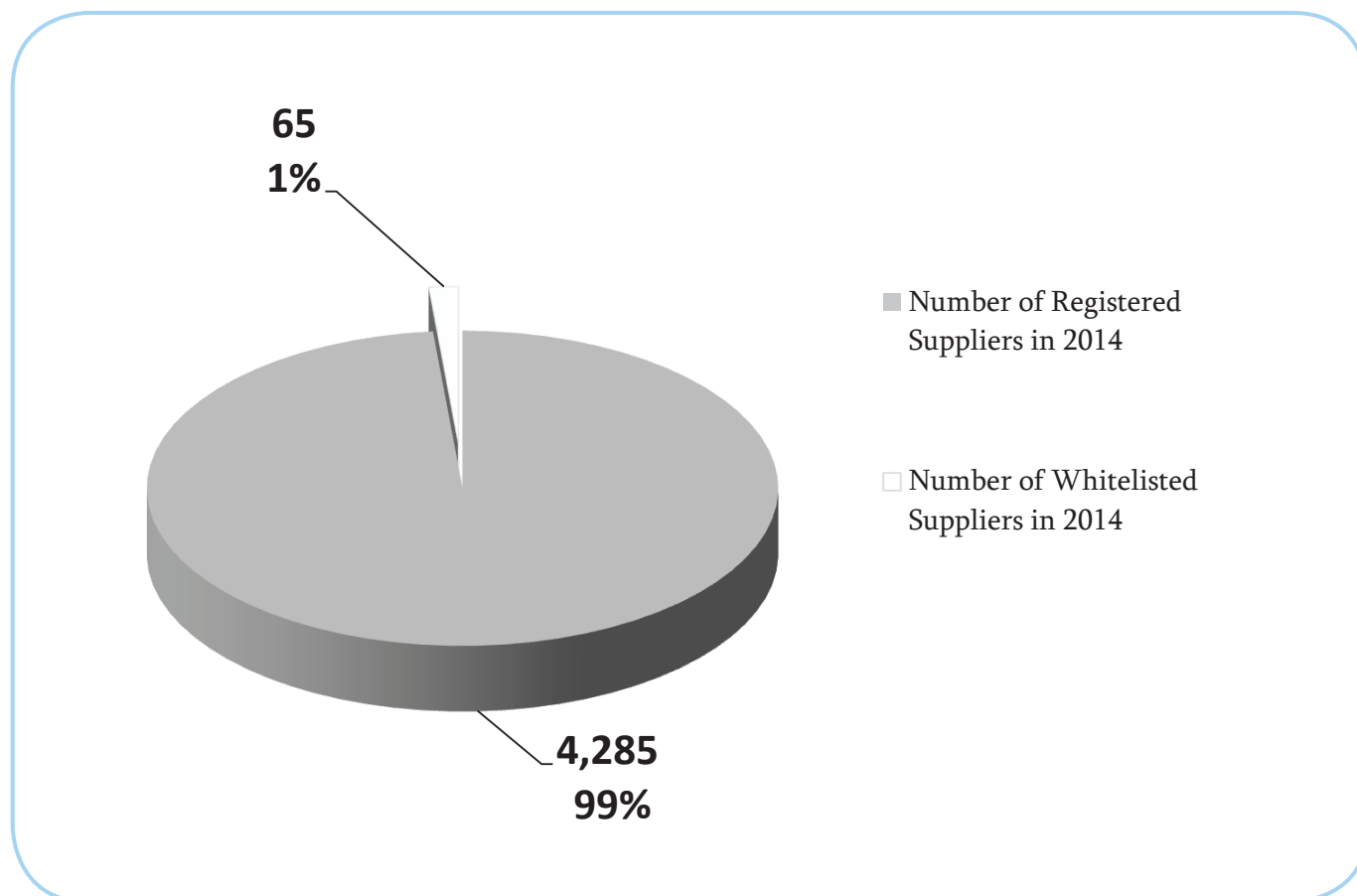
The Black and White Lists

In 2014 the legal and practical aspects of maintaining the Black and White Lists were further enhanced; the rules related to the maintenance of the Black List were redrafted and the timelines for the Black List related administrative proceedings were set, also the procedure of maintenance of the White List was defined more accurately, what allowed for the reduction of the review actual timelines from 60 to 30 days.

- The rules related to the maintenance of the Black List were redrafted;
- The timelines for the Black List related administrative proceedings were set;
- Total 649 decisions were made with regard to the Black List;
- 214 suppliers were registered in the Black List;
- 395 suppliers were warned;
- 28 procuring entities were refused registration in the Black List of suppliers;
- 11 cases are pending due to ongoing litigations;
- 65 suppliers were registered in the White List.

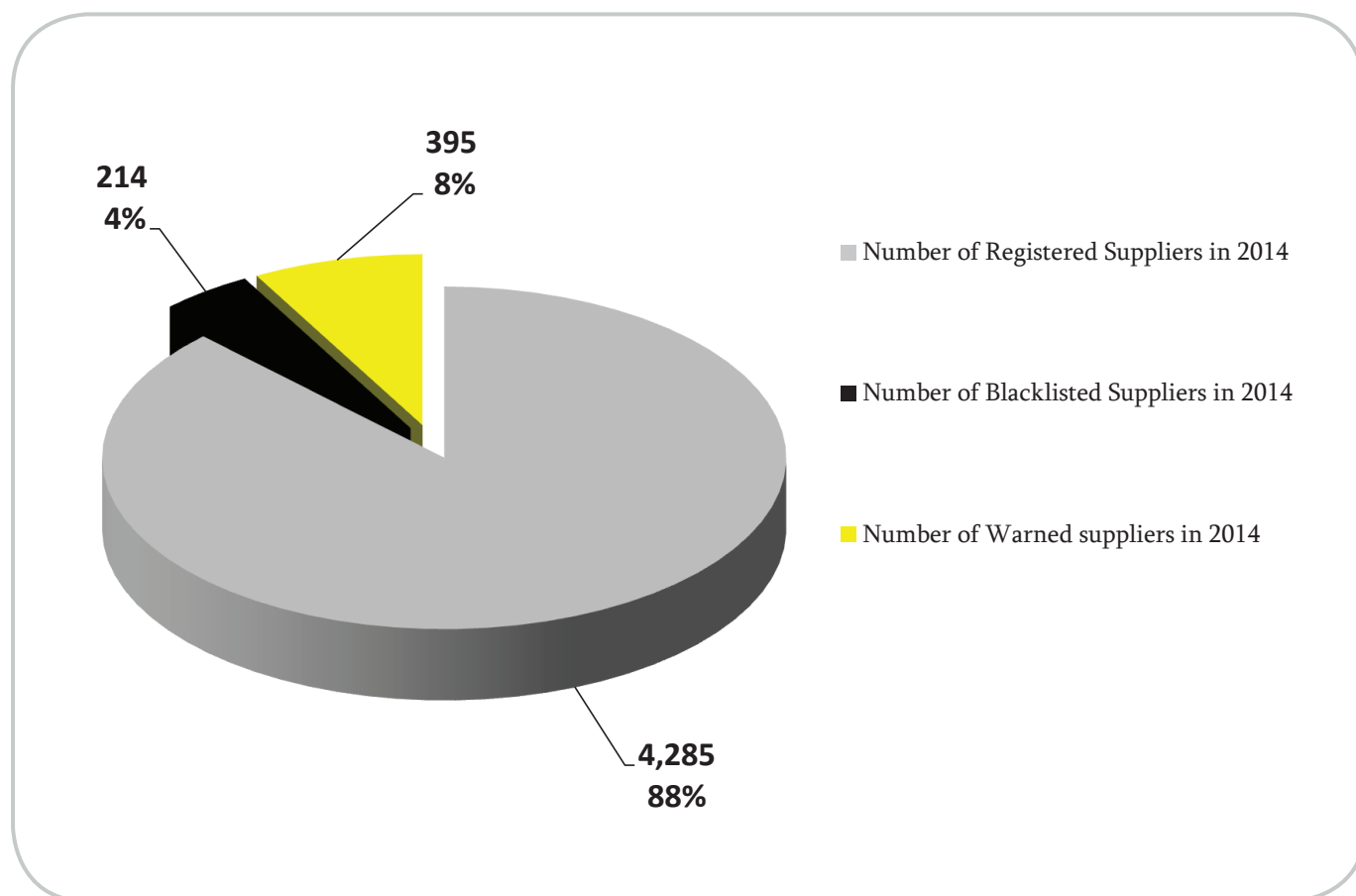
As compared with the previous year the number of suppliers registered in the White List increased by 45% - if in 2013 36 new suppliers were registered, this figure totalled 65 in 2014 (see Diagram 15).

Diagram 15: Number of Suppliers Registered in the White List in 2014



Along with the White List the SPA is also maintaining the Black List and the Register of Warned Suppliers. The suppliers registered in the Black list are prohibited from the participation in state procurement. The register is integrated in eProcurement system allowing for the suppliers from the Black List to be deprived of the possibility to participate in tenders. In 2014 the number of registrations in the Black List and warnings amounted to 609, of which 214 suppliers were registered in the Black List and 395 were warned (Diagram 16).

Diagram 16: Number of Suppliers Registered in the Black List in 2014



By the end of 2014 the review of old cases of the Black List was accomplished together with the ongoing ones.

The data concerning the suppliers from the Black and the White Lists are published on SPA official webpage: www.procurement.gov.ge.

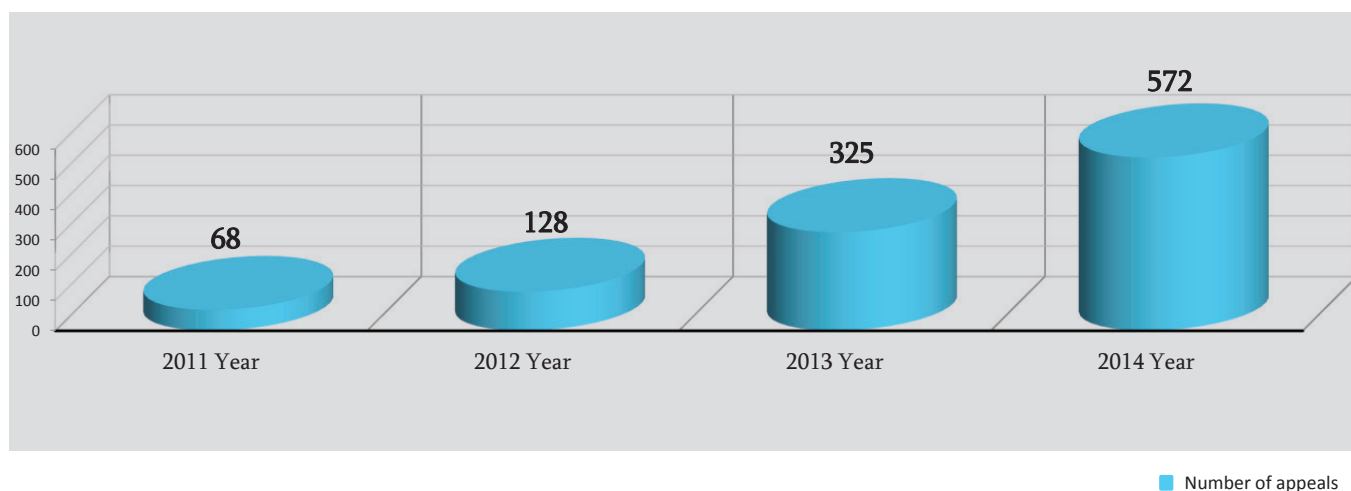
Dispute Resolution Board

Since 10 December 2010 SPA has been operating the Dispute Resolution Board, comprised of six members. The Board is staffed with three representatives of the SPA and non-governmental sector on the basis of a parity principle. It should be noted, that the Dispute Resolution Board is independent in making decisions and its decisions can be amended/revoked only through court procedure. The dispute resolution procedures, including Board decisions, are public and accessible for every interested person through the SPA official webpage.

Appeal procedure is free of charge and decisions are made within unprecedented short timelines – 10 business days.

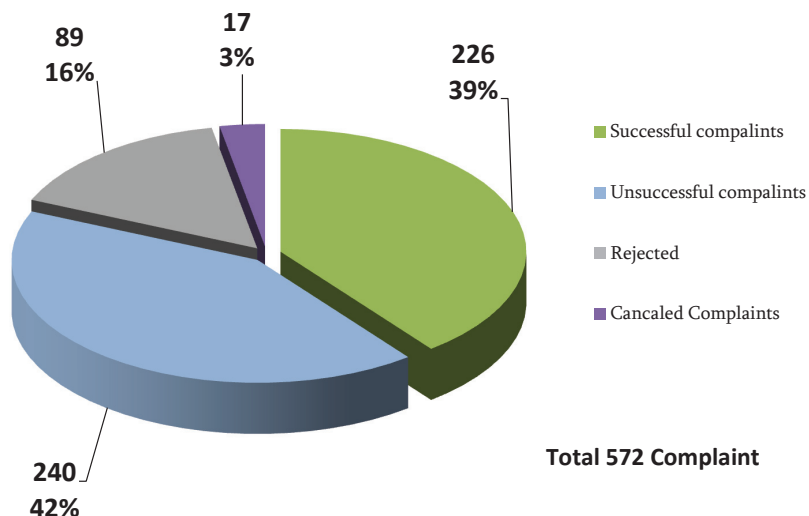
It is noteworthy, that the number of complaints has considerably increased after the new political forces came to the power. The foregoing speaks for increased trust of the society in Dispute Resolution Board. The number of filed complaints has almost doubled as compared with 2013 (see Diagram 17).

Diagram 17: Number of Filed Complaints according to Years



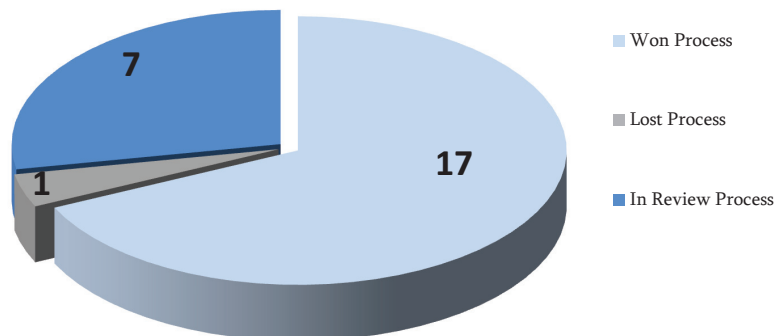
226 of 572 complaints filed in 2014 were resolved in favour of the complainants (see Diagram 18).

Diagram 18: Number of Complaints Filed in 2014 according to Their Statuses



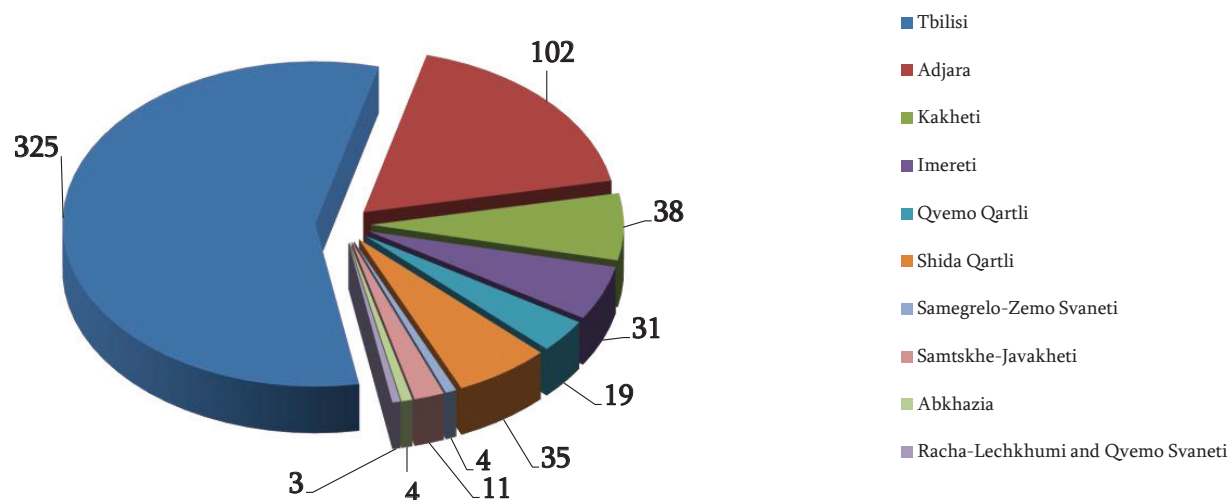
It should as well be mentioned that only 24 decision of the Dispute Resolution Board, made in 2014, were appealed with the court (see Diagram 19), what makes only 4,2% of Board Decisions. In 17 cases the court upheld the Board decisions and did not meet the plaintiff claims; only one decision had a negative outcome and the remaining seven cases are still pending.

Diagram 19: Court Proceedings of 2014 (with Regard to Decisions of Dispute Resolution Board)



The geographical spread of complainants was expanded and the number of appealed tenders increased in regions as well. If in 2010-2011 the majority (67%) of complaints accounted for Tbilisi (see Diagram 20), the appealed tenders cover almost every region of Georgia since 2012.

Diagram 20: Distribution of Complainants according to Regions



The above said clearly demonstrates that the trust of the participants of state procurement proceedings towards this important state institution is increasing on a daily basis, what, in its turn, has a positive impact on business climate in Georgia.

Communication with Partners and Users

Total 7,974 correspondences were received and processed and 5,031 letters/recommendations were sent out during 2014.

The SPA operates a call centre giving competent, exhaustive and qualified answers to up to 10,000 calls annually. Furthermore, 4,838 letters were received at the official e-mail of the SPA info@procurement.gov.ge and further processed. Over 2,000 received documents were archived. Total 17,515,994 system notices and

154,126 SMSs were disseminated through eProcurement system in 2014 with a view to provision of system users with information on various issues, this figure being twice as much as the same showings for 2013. This increase was mainly conditioned by adding new services to the system.

Activities within the Framework of Relationship with Civil Society and Public Sector

The State Procurement Agency is further enhancing and maintaining dialogue with current and potential users as the improvement of the competence and professionalism of public sector, as well as the development of SMEs is of paramount importance. The communication and dialogue is particularly important for country regions, where the level of both the participation of enterprises in public procurement and employment rate are rather low. Five regional meetings were arranged for procurement specialists of public authorities of Kvemo Kartli, Kakheti, Shida Kartli, Guria, Imereti and Adjara regions, also for procuring entities of Poti city; these meetings were widely covered by media. During these meetings the SPA discussed typical mistakes made by procuring entities, also the potential of improvement of tender documentation with a view to securing more active involvement of the suppliers in state tenders.



Furthermore, a special informative meeting was arranged with the representatives of Georgian Chamber of Commerce and Industry, business sector and foreign organizations accredited in Georgia; the meeting aimed at the provision of business society with state procurement related information, popularization of eProcurement system and encourage the private sector to take interest in state procurement.



A meeting with the representatives of construction sector was also arranged; the meeting aimed at the provision of businessmen with information, discussing the problems of construction sector and the ways of their solution. The SPA specialists prepared and presented certain initiative for overcoming the problems of this sector.



In 2014 the first edition of the online journal - e-Newsletter - was prepared and published, which was circulated to over 25,000 registered users of the system, embassies, international organizations, representatives of non-governmental sector, chambers of commerce/associations/ confederations and media. It is also published on SPA official webpage and Facebook. The main purpose of publication of e-Newsletter series is the provision of interested society with the information about the activities and introduced innovations, as well as general trends of state procurement.

NEWSLETTER



სახელმწიფო შესყიდვების სააგენტო
STATE PROCUREMENT AGENCY

ყვირა ყვირაფილს ხიდავს...

გამოცემა
2014

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სსიპ სახელმწიფო შესყიდვების
სააგენტოში შეიცვალა მისამართი:
ბთსოვთ, მოგვებართოთ ჩვენს
ახალ მისამართზე:

თბილისი, 0113,
რიჩარდ ჰოლზრუკის ქუჩა
(ისანი - ყოფილი პაღდადის
ქუჩა), №8.

სააგენტოში, ასევე, მოქმედებს
ცხელი ხაზი. სამუშაო დღეებზე
და საათებში შეგიძლიათ
დაგვიკავშირდეთ ტელეფონის
ნომერზე:

(032) 2 48 48 22

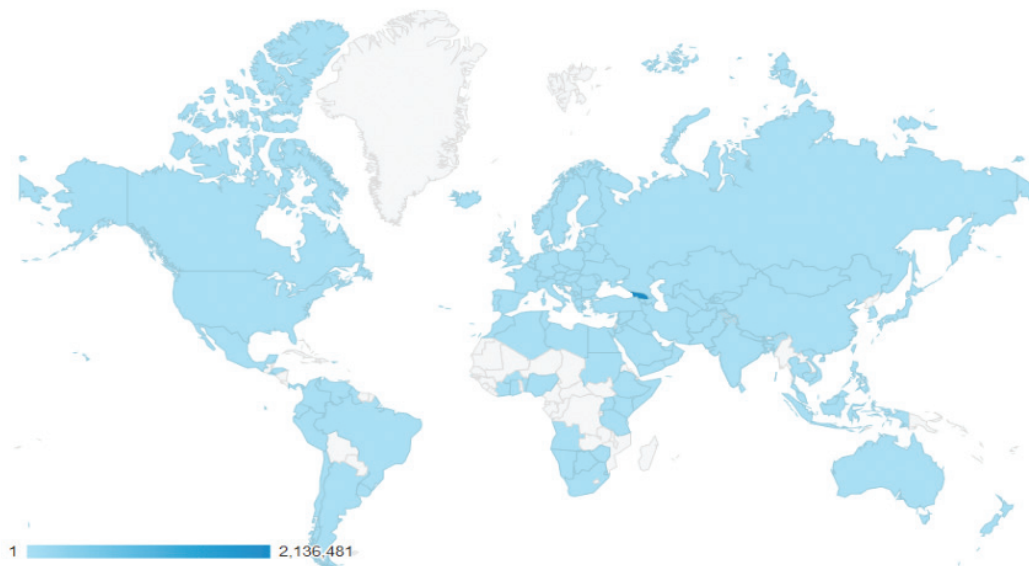
და სახელმწიფო შესყიდვებთან
დაკავშირებულ თქვენთვის
საინტერესო საკითხებზე მიიღოთ
კომპეტენტური პასუხები და
კონსულტაცია.



სახელმწიფო შესყიდვების სააგენტო
STATE PROCUREMENT AGENCY

Public Interest in E-Procurement

The general success of Georgian electronic procurements and major interest in it is clearly stressed by the number of SPA official webpage (www.procurement.gov.ge) visitors, which exceeded 254,403. The presented Diagrams demonstrate that the webpage caused major international interest in 2014.



	Country	Visits	% New Visits	New Visits	Avg. Session Duration
1	Georgia	1,972,921	10.56%	208,259	00:04:15
2	Ukraine	3,381	33.39%	1,129	00:04:11
3	Turkey	3,145	24.20%	761	00:03:44
4	USA	2,602	25.13%	654	00:04:47
5	Russia	1,903	37.78%	719	00:03:23
6	Germany	1,496	47.93%	717	00:03:35
7	India	1,226	68.92%	845	00:05:03
8	Armenia	1,107	30.53%	338	00:03:36
9	Netherlands	837	31.30%	262	00:03:26
10	Slovenia	828	24.28%	201	00:02:43
11	Azerbaijan	787	23.89%	188	00:02:39
12	China	739	28.28%	209	00:03:42
13	France	633	17.54%	111	00:08:26
14	United Kingdom	581	26.68%	155	00:03:38
15	Italy	535	18.13%	97	00:02:49

International Cooperation

SPA accomplished various arrangements within the framework of international cooperation, which will promote the further improvement of state procurement-related processes in Georgia.

Negotiation of Deep and Comprehensive Free Trade Agreement with the EU is still the first priority.

In 27 June, 2014 the Association Agreement was signed with the EU in Brussels. The important part of the Agreement (IV Title - Trade and Trade Related Issues) is the Deep and Comprehensive Free Trade Agreement (DCFTA)



What does DCFTA provide for?

The procurement-related chapter of the Agreement provides for granting mutual and successive access to public procurement markets what will enable Georgian companies to participate in public procurements of the EU countries.

Granting access to procurement markets is closely related to gradual approximation of Georgian procurement legal framework with the respective EU Directives.

- The Agreement applies only to those procurements, whose value exceeds the value thresholds envisaged by the agreement, specifically:
- EUR 1,304,000 for public supply and service contracts awarded by central government authorities;
- EUR 20,000 for public supply and service contracts awarded by other procuring units;
- EUR 5,186,000 in the case of public works contracts, amongst them in utilities sector as well (power, water, gas supply, currently the state procurements do not cover these fields);
- EUR 5,186,000 in the case of concessions;
- EUR 414,000 in the case of works contracts in the utilities sector;
- EUR 750,000 in the case of social and other specific services;
- EUR 1,000,000 in the case of social and other specific services in utilities sector.

Expected Outcomes of the Agreement

The volume of the EU public procurement market is over EUR 400 billion, respectively, granting access to public procurement market creates the business expansion potential for Georgian companies, provided that they are duly competitive. The Georgian companies will be granted access to EU procurement market gradually. Full market access will be granted within a period of 8 years after the entry into force of the Agreement.

The state procurement legal framework will be extended to companies operating in utilities sector, enjoying exclusive or/and special rights (e.g. power, water, gas supply). Furthermore, the state procurement legal framework will also apply to concessions (similarly, to relationships with respective content). As of to date, concession is not a state procurement instrument.

Indicative Time Schedule for Public Procurement Market Access

The State Procurement Chapter has an Annex, providing for an indicative time schedule and stages for approximation and, respective granting market access.

Indicative Time Schedule	Market access granted to the EU by Georgia Market access granted to Georgia by the EU	Market access granted to the EU by Georgia Market access granted to Georgia by the EU
years 3	Supplies for central government authorities	Supplies for central government authorities
years 5	Supplies for state, regional and local authorities and bodies governed by public law	Supplies for state, regional and local authorities and bodies governed by public law
years 6	Supplies for all contracting entities in the utilities sector	Supplies for all contracting entities
years 7	Service and works contracts and concessions for all contracting authorities	Service and works contracts and concessions for all contracting authorities
years 8	Service and works contracts for all contracting entities in the utilities sector	Service and works contracts for all contracting entities in the utilities sector

The SPA accomplished important arrangements in 2014 with a view to the implementation of the DCFTA, amongst them:

- The legal and institutional framework of Georgian state procurement was analyzed with a view to establishing its compatibility with key state procurement standards and respective EU legislation, further aim of this comparison being the development of comprehensive action plan for legal approximation under DCFTA; in this respect the SPA received the technical assistance of SIGMA (joint initiative of the EU and OECD);
- Several workshops were arranged for the familiarization with the new EU Directives in the field of state procurement;
- 2014-2017 Action Plan for the implementation of the DCFTA was drafted.

The cooperation with donors, present in Georgia, other international organizations and financial institutions became particularly intensive in 2014. Within the framework of the foregoing:

The informative leaflet of the SPA was published under the financial assistance of the USAID-EPI program, briefly describing the basic operational principles and advantages of the eProcurement system, as well as the information about the creation of the Training Centre and the main purposes of the Centre.

Three publications were published under the financial assistance of USAID-G3 programme, namely:

- User Manual for the GE-GP System;
- 200 Most Frequently Asked Questions about State Procurement;
- State Procurement Guidelines for the Preparatory Stage.

These publications aim at the provision of system users with detailed information about the state procurement procedures and application of the eProcurement system. The publications will raise public awareness in procurement sector, reducing the number of tenders held in an unqualified manner.

Furthermore, SPA was involved in the development of national action plans. Specifically, the draft Counter-corruption Action Plan for 2015-2016 was developed, one of its main tasks being the further enhance-



ment of corruption fighting role of state procurement, as well as drafting proposals for the minimization of corruption risks, on the basis of which proposals the state procurement regulatory legal framework will be further improved.

SPA was intensively involved in the development and implementation of Open Government Georgia Action Plan for 2014-2015. The Action Plan provides for securing further transparency and expansion of the eProcurement system.

Evaluation and Comments

In 2014 SPA has practically re-established partnership with international organizations and launched cooperation with new financial institutions. SPA maintains ongoing cooperation with the donors, operating in Georgian and their international projects.

The Unified Electronic System of State Procurement and SPA activities were highly commended by the international institutions, non-governmental sector and Government.

In his speech at Open Government Partnership Conference the Prime-Minister of Georgia, Mr. Irakli Garibashvili said: “Our aim is to become more open for our citizens, more accountable to them and equip them with increasing powers. Our country made the most innovative decisions regarding state procurement, publicity of public financial information and provision of state services.”

http://government.gov.ge/index.php?lang_id=GEO&sec_id=380&info_id=44715



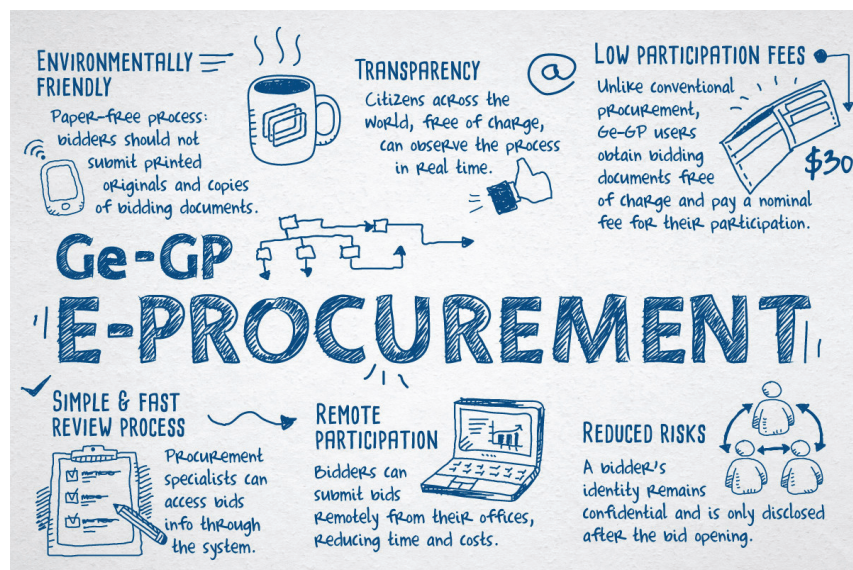
In Doha (Qatar), at Thirteenth UN Congress on Crime Prevention and Criminal Justice, the Minister of Justice of Georgia, Ms Tea Tsulukiani highlighted the positive role of state procurement in the eradication of corruption in Georgia.

(http://www.unodc.org/documents/frontpage/2015/April/stmts_14Apr_CrimeCongress13.pdf)



Georgian Young Constitutionalists' Association highly commends the operation of Dispute Resolution Board of State Procurement Agency in 2014. The Association has been participating in and monitoring the process of reviewing state procurement related disputes since 2014. The Association believes, that each dispute is resolved in full compliance of the principles of adversary proceedings and equality, in a fully transparent environment, what has a positive impact on the quality of Board Decisions and decreases the load of courts in the light of satisfied complaints.

http://www.gyca.ge/ge/page/news_item/a-a-ip-saqartvelos-axalgazrda-konstitucionalistta-asociacia-saxelm-wifo-sesyidvebis-saagentosi-sesyidvebtan-dakavsirebuli-davebis-ganxilvis-sabwos-2014-wlis-saqmianobas-dadebit-ad-afasebs-qartuli-kanonm



The World Bank published an article on its official webpage evaluating the eProcurement system. The article focuses on reforms implemented in the field of state procurement, harmonization of eProcurement with the international best practice, holding World Bank tenders using the eProcurement system and successful policy of the State Procurement Agency which promotes long-term sustainable advancement of the country.



In 2012 the World Bank launched the assessment of Georgian eProcurement system, aiming at its approximation with the World Bank Requirements. The evaluation identified areas requiring further modifications and improvements.

After almost two years of extensive internal work and close cooperation with the government and the private sector the State Procurement Agency successfully implemented these modifications.

In 2014 the World Bank started using Georgia's eProcurement system for the procurement of civil works with an estimated contract price below US\$ 10 million, as well as for the procurement of goods below the estimated contract price of US\$ 1 million.

It is noteworthy, that the remarkable achievements of the SPA have been explicitly acknowledged by various international organizations, amongst them: by the World Bank Group, Organization for Economic Cooperation and Development (OECD), United Nations Organization (UN), and Transparency International. The latter ranked Georgia as the best amongst 19 East European and Central Asia countries according to 2014 Corruption Perceptions Index.

<http://www.worldbank.org/en/news/feature/2015/02/18/georgia-an-e-procurement-success>

Partners



Centre for International
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a joint operation of GIZ and the
German Federal Employment Agency



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STATE PROCUREMENT AGENCY

TBILISI 2015