

STATE PROCUREMENT AGENCY

ANNUAL REPORT 2018



NUMBER OF
ANNOUNCED TENDERS
32,597



REGISTERED SUPPLIERS
IN ePROCUREMENT SYSTEM
38,248



NUMBER OF RETRAINED
PUBLIC SERVANTS
816



NUMBER OF APPEALS IN DRB 1,040.
57% OF THEM IN FAVOR
OF BUSINESS.



SAVINGS
285
MILLION GEL



სახელმწიფო შესყიდვების სააგენტო
STATE PROCUREMENT AGENCY

TBILISI 2019

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INTRODUCTION

In total, over 4 billion GEL were expended by contracting authorities in 2018 for the procurement of goods, services and infrastructure construction works. The main duty of the State Procurement Agency (hereafter SPA) is the creation of necessary environment for ensuring the transparent and efficient disbursement of these funds in a competitive manner. To this end, the SPA continuously improves the legal framework, and eProcurement system of public procurement, also implements diverse targeted programs to retrain procurement specialists, employed in public sector.

Last year the fundamental reform was accomplished in the light of conducting centralized, the so-called "consolidated" tenders. With a view to saving budgetary resources and enhancement of procurement efficiency Resolution N446 of the Government of Georgia (29 August, 2018) provided for the conduct of centralized procurement with regard to certain types of procurement objects as a mandatory requirement.

The conduct of centralized procurement procedures was delegated on the State Procurement Agency, to what end the specialized structural unit, staffed with duly qualified personnel - the Department for Centralized Procurements - was created.

It should be mentioned that the application of centralized procurements is a well-established practice in the EU Member States. The advantage of this type of procurement is that the aggregation of small-volume, identical procurements allows for making economy of scale on the one part and to reduce the share of unsuccessful tenders and ruling out of potential corrupt transactions, on the other.

It is noteworthy that during the past years several major amendments were introduced into the legal framework regulating public procurement for the reduction of the share of simplified procurement. In 2018 the share of simplified procurement in overall procurements was reduced to 19% and the volume of such procurements amounted to approximately 779 million GEL. Just to compare - in 2017 the volume of simplified procurements amounted to 881 million GEL and in 2016 - to 1.5 billion GEL.

In 2018 Order N9 (20 September, 2018) of the Chairman of the State Procurement Agency was issued On Amendment of Order N13 (17 August, 2017) of the Chairman of the State Procurement Agency on Approval of the Procedure of Determination of the Criteria of Simplified procurement and Holding of Simplified procurement, which Order tightened the criteria for holding simplified procurement conditioned by urgent necessity. The foregoing will promote further decrease of the number of simplified procurement in the future.

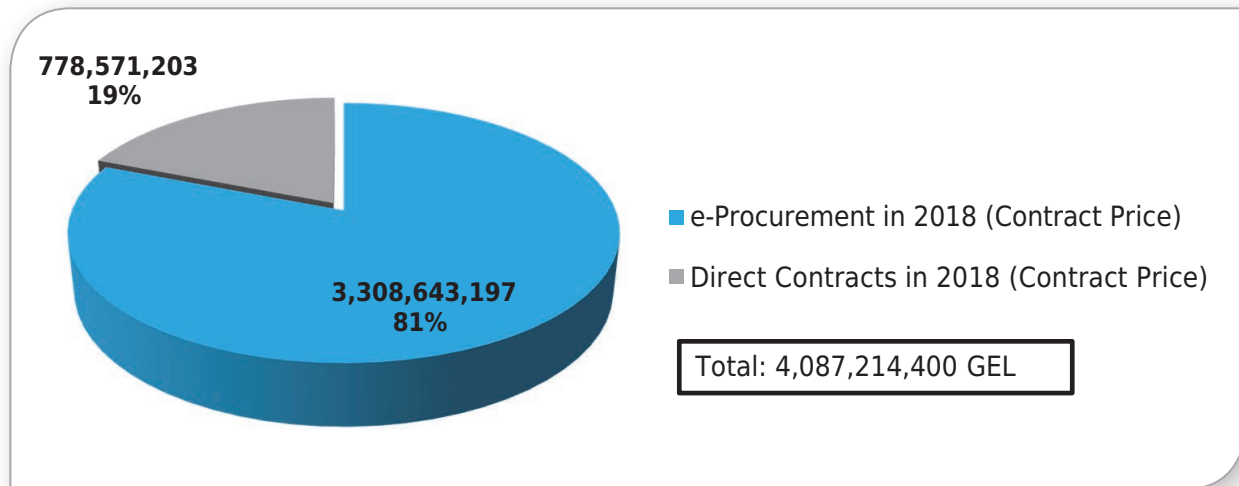


One of the major duties of the SPA is retraining of procurement specialists of state procurement entities. During 2018 total 315 trainees from all the regions of Georgia were trained by the SPA Training Centre within the framework of special training program. Furthermore, the SPA experts arranged 5 on-the-spot, targeted meetings with municipality Mayors and 13 training for public procurement specialists. In total 816 trainees were retrained during the last year within the framework of various training activities.

KEY DATA INDICATORS OF GEORGIAN PUBLIC PROCUREMENT

In 2018 the net value of public procurements amounted to 4,087,214,400 GEL . Of them, procurements for 3,308,643,197 GEL were conducted through electronic procedures and the value of contracts executed through simplified procedures made 778,571,203 GEL

Diagram N1: Net Value of Public Procurement Contracts

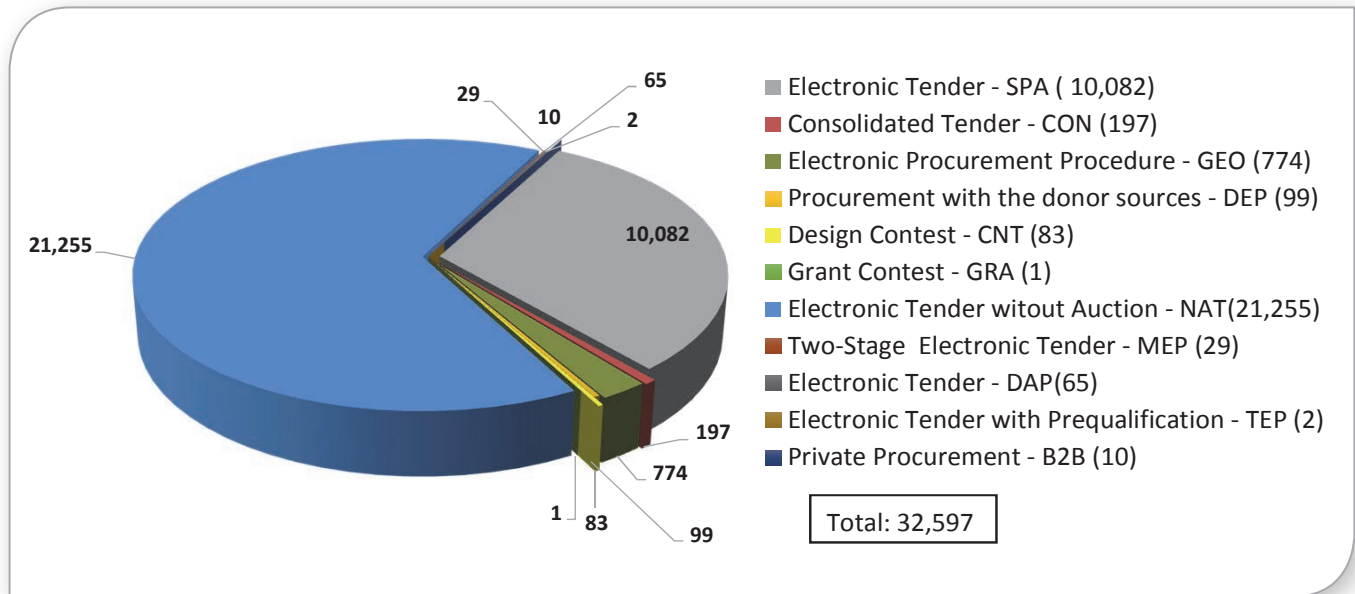


Simplified procurements do not include procurements through special procedure. The volume of simplified procurements are calculated for procurements funded by resources allocated in 2018, what includes contracts uploaded in 2017 and at the beginning of 2019 as well.

In total 32,597 tenders were announced in 2018, what is 2% (33,095) less than similar showing for the past year. Distribution of tenders announced in 2018 according to their type is shown on Diagram N2.



Diagram N2: Distribution of tenders announced in 2018 according to their type



As in 2017, the reduction of the number of announced tenders is conditioned by their aggregation.

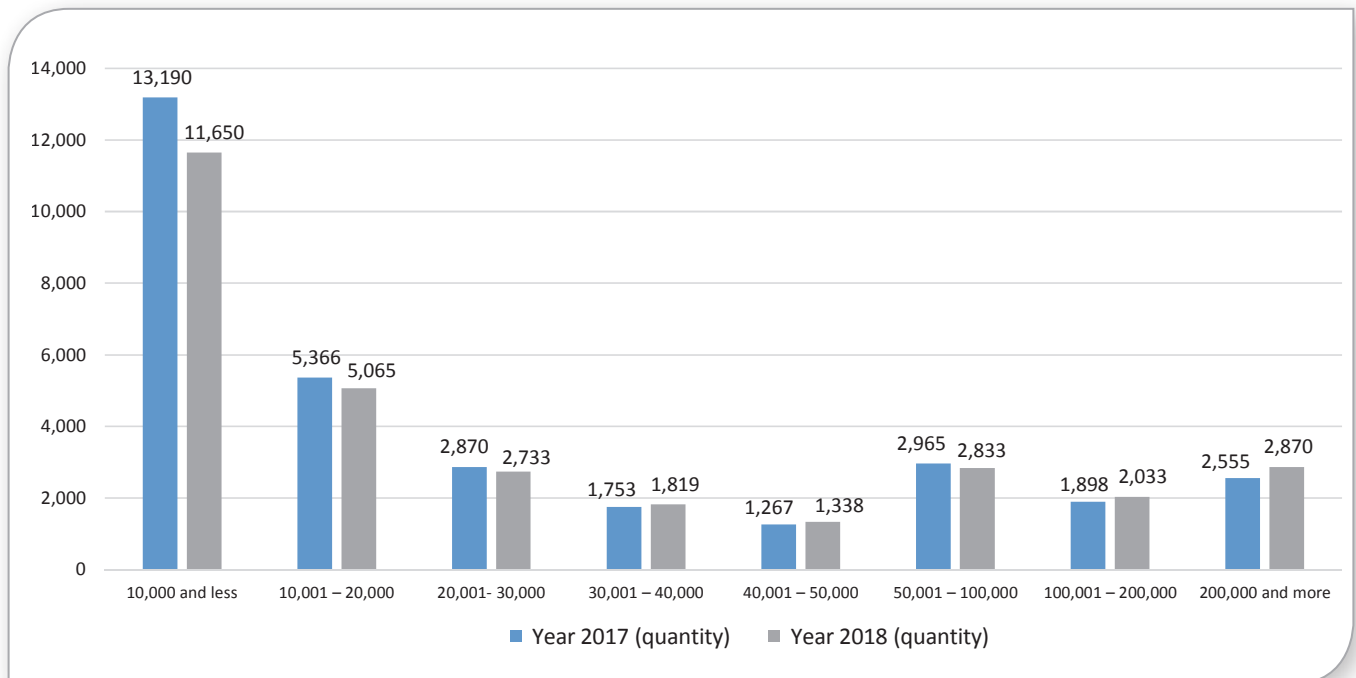
Table N1 below demonstrates the quantities of announced tenders translated in amounts. These figures can also be seen on Diagram N3. As demonstrated by the Diagram, the number of announced low-value tenders (e.g. 10,000 GEL and less) was higher in 2017, than in 2018. At the same time, the Diagram evidences, that the number of large-scale tenders is higher in 2018 as compared with 2017 (the number of tenders announced in 2018 with estimated value 100,000 GEL and over is 10% higher).

Table N1: Quantity of announced tenders in monetary terms

Monetary Thresholds	Year 2017 (quantity)	Year 2018 (quantity)
10,000 and less	13,190	11,650
10,001 - 20,000	5,366	5,065
20,001- 30,000	2,870	2,733
30,001 - 40,000	1,753	1,819
40,001 - 50,000	1,267	1,338
50,001 - 100,000	2,965	2,833
100,001 - 200,000	1,898	2,033
200,000 and more	2,555	2,870
Total:	31,864	30,341

These data do not cover GEO, DEP tenders and trading with a pricelist (do not include tenders, where the estimated value is not specified systemically).

Diagram N3: Quantities of announced tenders in the light of monetary showings



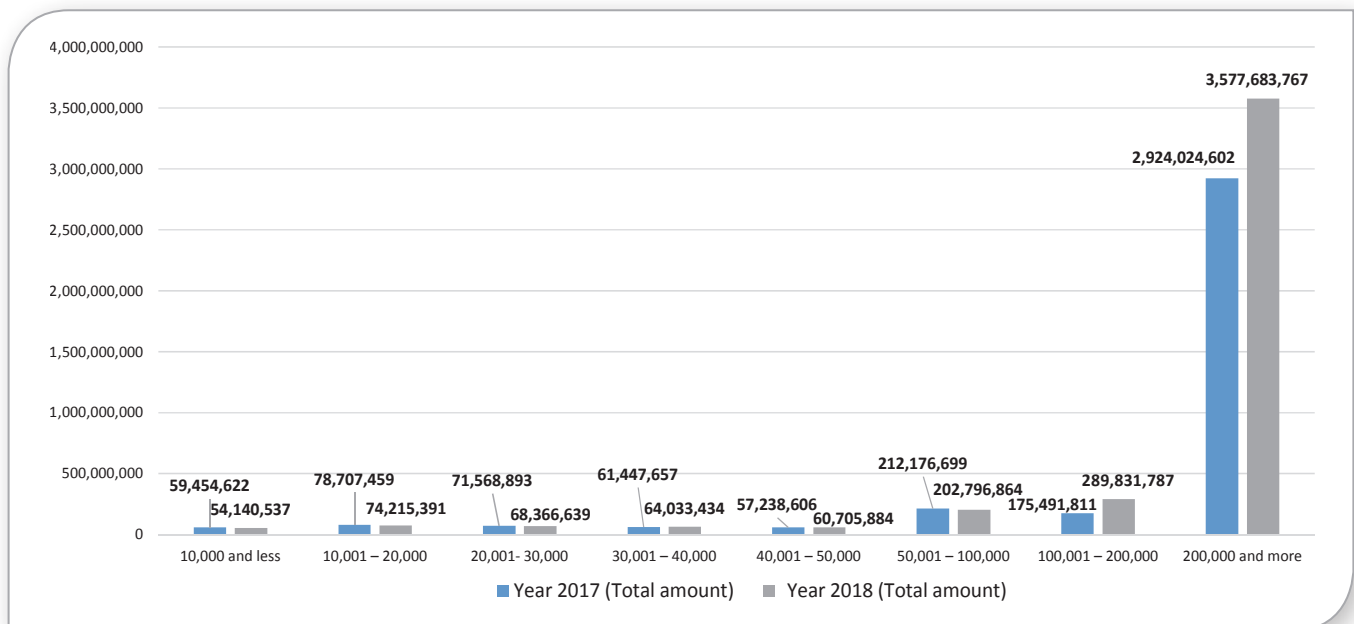


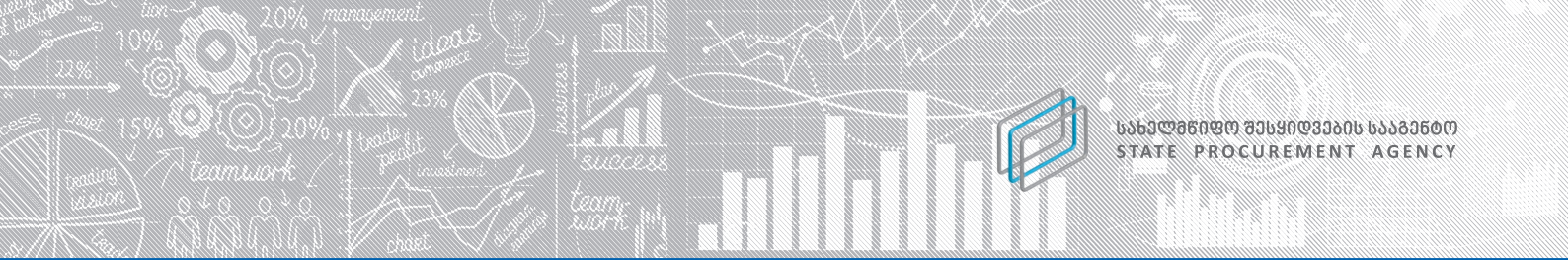
Distribution of the quantities of tenders from Diagram N3 according to net estimated value is given in Table N2.

Table N2: Net estimated value within monetary thresholds

Monetary Thresholds	Year 2017 (Total amount)	Year 2018 (Total amount)
10,000 and less	59,454,622	54,140,537
10,001 - 20,000	78,707,459	74,215,391
20,001- 30,000	71,568,893	68,366,639
30,001 - 40,000	61,447,657	64,033,434
40,001 - 50,000	57,238,606	60,705,884
50,001 - 100,000	212,176,699	202,796,864
100,001 - 200,000	175,491,811	289,831,787
200,000 and more	2,924,024,602	3,577,683,767
Total	3,640,110,349	4,391,774,303

Diagram N4: Net estimated value of announced tenders according to amounts



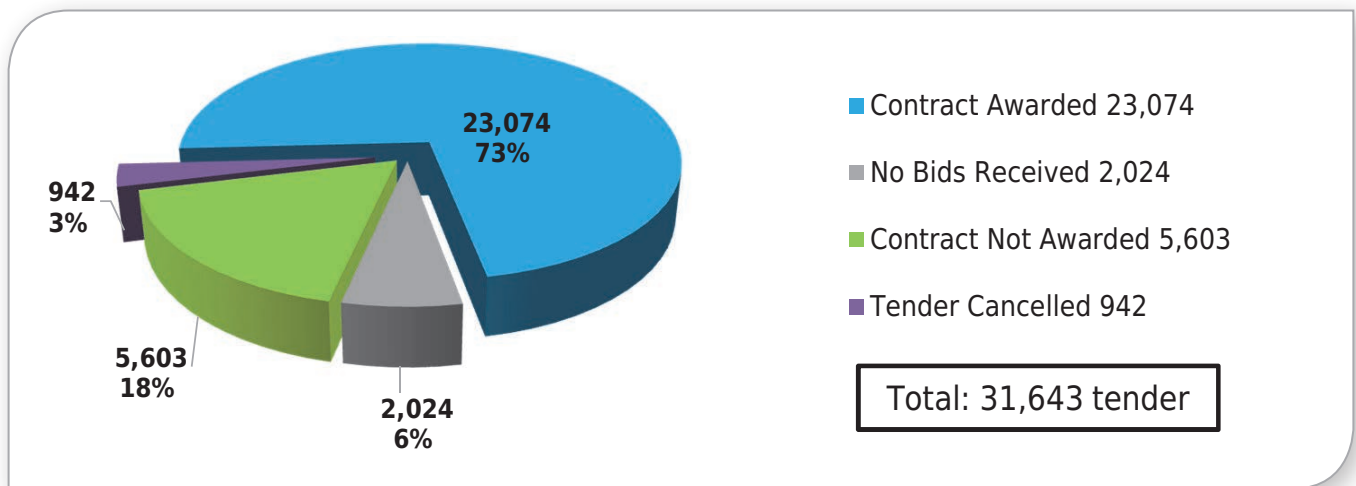


As of data for 2018 net contract value of e-tenders amounts to 3,017,455,945 GEL, which amount exceeds same showing for the past year by 18%¹.

Notable is the sharp growth in e-tenders without auction (sealed bid auction). In total 21,255 NAT tenders were announced in 2017 (there were 15,627 NAT tenders in 2017) while 10,082 SPA tenders were announced for the same period.

In 2018 the final status was awarded to 31,643 tenders within the Unified Electronic System of State Procurement², of which contracts were awarded with regard to 23,074 tenders (24,215 in 2017). As a result, the tenders with "Contract Awarded" status accounted for 73% of all tenders with final statuses.

Diagram N5: Distribution of final statuses, awarded to tenders in 2018



The data do not cover GEO and DEP tenders, consolidated tenders, but cover trading with a pricelist.

In 2018 net estimated value of tenders with final statuses amounted to 3,196,112,945 GEL³, and the economy totaled 285,736,820 GEL.

Distribution of savings in public procurement field in 2018 is given in the table.

¹ The same amount made 2,565,653,686 GEL in 2017. The data do not include GEO and DEP tenders, neither the consolidated tenders, but covers trading with a pricelist.

² The data do not cover consolidated tenders, GEO and DEP tenders.

³ Upon calculation of the savings indexes data about trading with a pricelist was not taken into account. Inclusive of trading with a pricelist the net contract value amounted to 3,017,455,945 GEL.

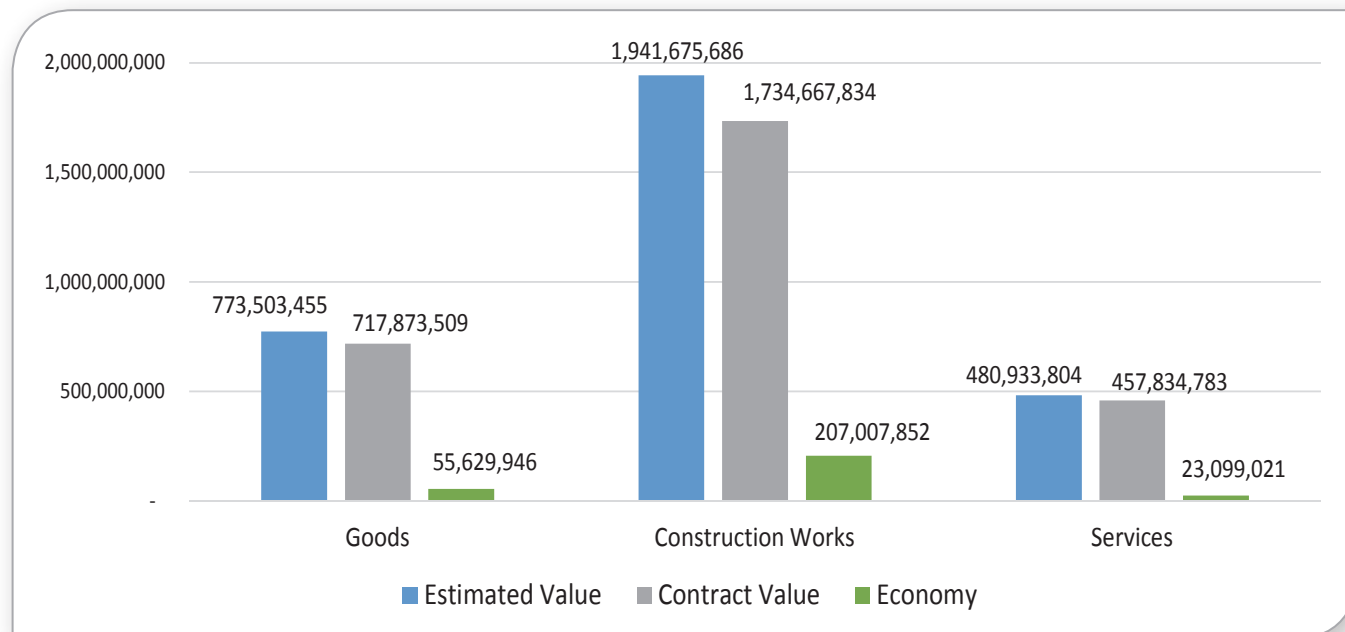


Table N3: Savings according to procurement objects

Procurement object	Estimated Value	Contract Value	Economy
Goods	773,503,455	717,873,509	55,629,946
Construction Works	1,941,675,686	1,734,667,834	207,007,852
Services	480,933,804	457,834,783	23,099,021
Total:	3,196,112,945	2,910,376,125	285,736,820

The Data do not cover GEO, DEP, consolidated (CON), B2B tenders, neither trading with a pricelist

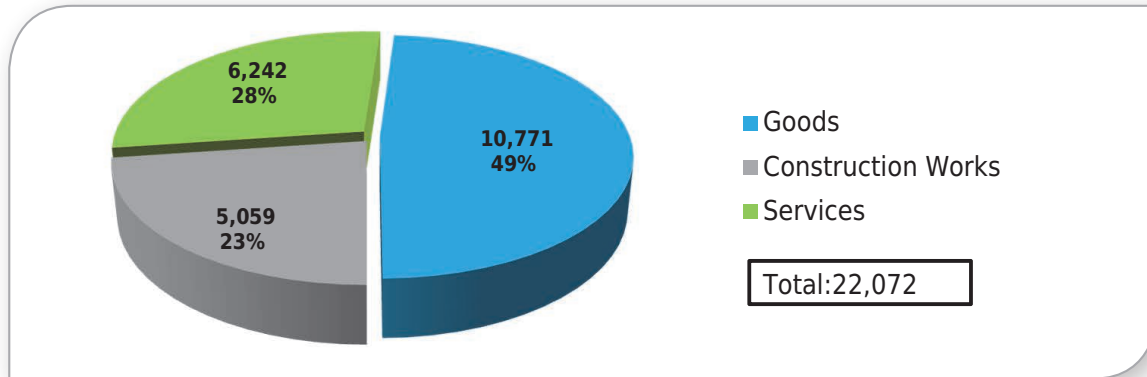
Diagram N6: Distribution of tender values in 2018 and economy according procurement objects



The data do not cover GEO, DEP consolidated (CON), tenders, neither trading with a pricelist.

Quantitative distribution of hold tenders is given on Diagram N7.

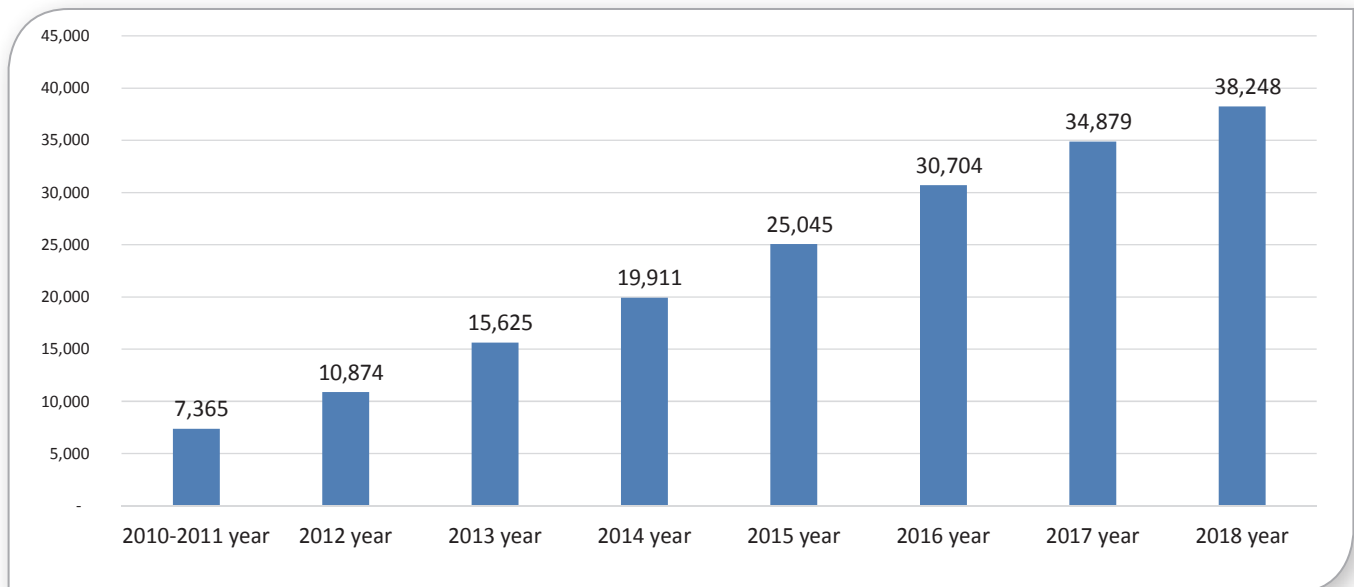
Diagram N7: Distribution of the number of tenders, held in 2018 according to procurement objects



The data do not cover GEO and DEP tenders, neither training with a pricelist.

The number of entities, registered in the Unified Electronic System of Public Procurement is continuously increasing. Only in 2018 over 3,300 new business-companies were registered within the System and overall number of registered suppliers totaled 38,248.

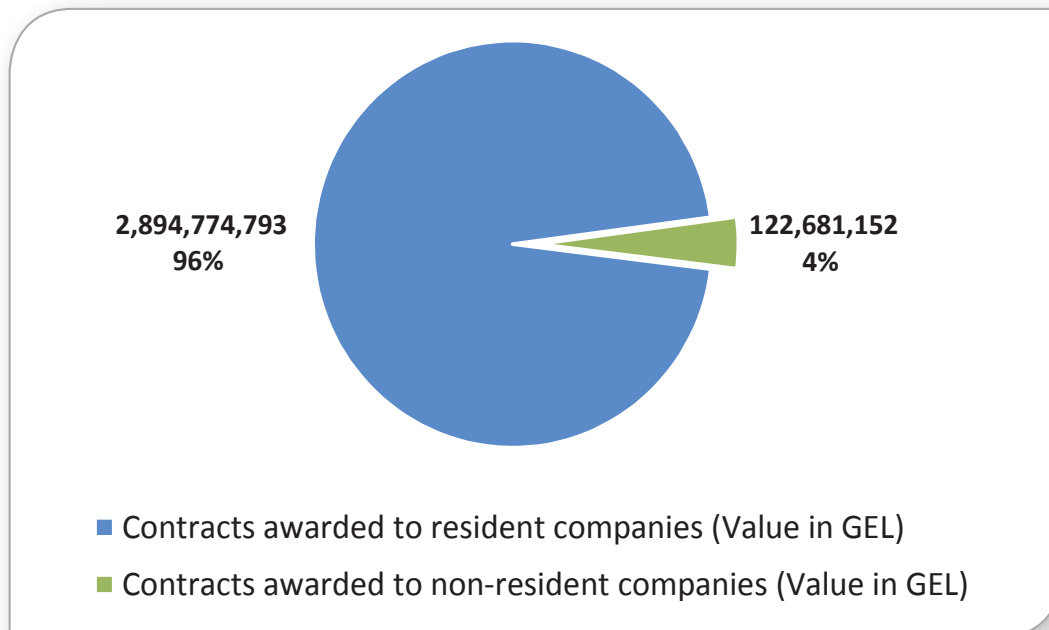
Diagram N8: Distribution of suppliers registered within the System according to years





It should be mentioned that apart from business-companies, operating in Georgia, non-resident companies are also highly interested in the System. The number of these suppliers totaled 1,700 in 2018. In 2018, 61 contracts were executed with non-resident companies through tenders, net contract values of which exceeded 122 million GEL, amounting to 4% of the net volume of procurements, accomplished through tenders in Georgia.

Diagram N9: Values of contracts executed with resident and non-resident suppliers in 2018



In 2018 non-residents⁴ have won tenders in 34 different CPV categories. Of them, the largest number - 6 tenders was recorded in training service category (CPV 80500000), while in monetary terms, procurement category, where non-residents have won the largest-amount tenders was construction works CPV category (CPV 45200000). In total 4 contracts were executed in connection with this CPV category, while the net value of contracts amounted to 50 million. Compare: the value of contracts executed with resident suppliers for the same CPV category amounted to approximately 1.5 billion GEL, what is 30 times more than the volume of tenders won by non-resident suppliers.

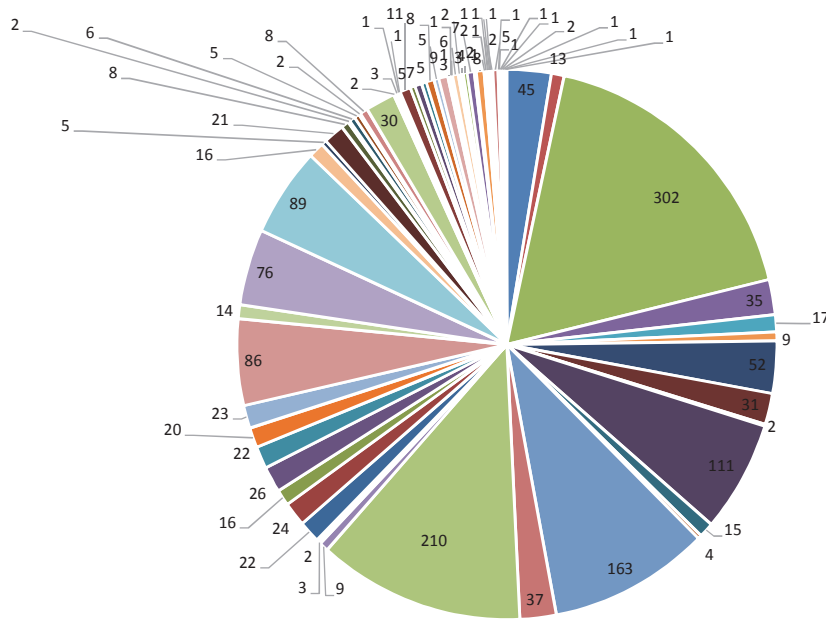
⁴ Non-resident is a company registered in the SPA Unified e-System with a foreign registration code.

Table N4: Top 5 CPV categories with non-resident winners of the tenders, according to net amount

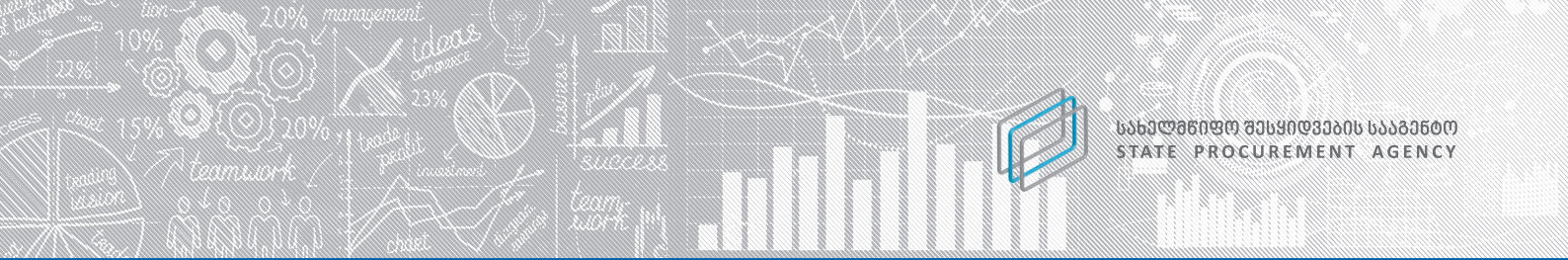
CPV Category	Quantity of tenders	Total Volume (GEL)
45200000 - Works for complete or part construction and civil engineering work	4	50,160,363
31100000 - Electric motors, generators and transformers	2	24,687,708
44100000 - Construction materials and associated items	5	14,810,816
33600000 - Pharmaceutical products	5	7,753,321
42100000 - Machinery for the production and use of mechanical power	2	4,088,560



Diagram N10: Number of non-resident suppliers, registered within the system according to countries

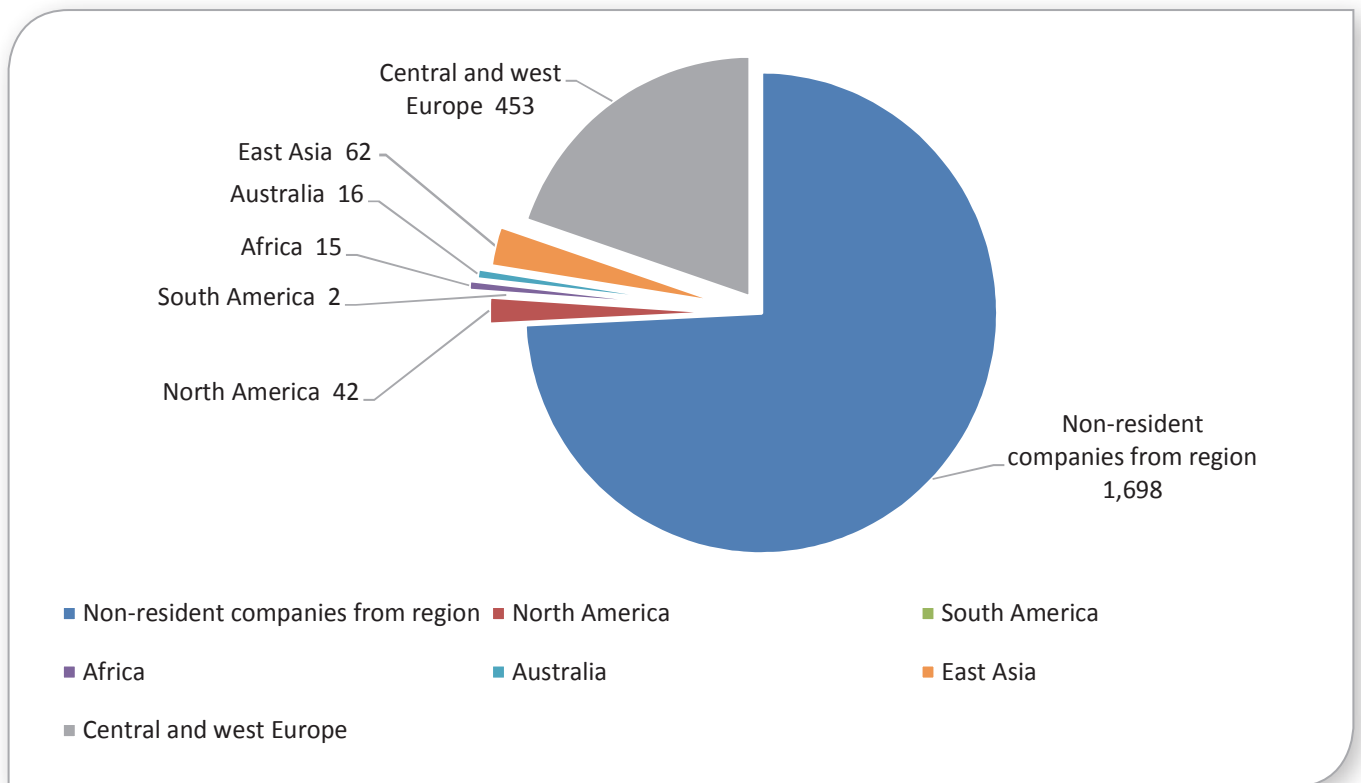


- Armenia 45
- Iran (Islamic Republic of) 17
- Tanzania (United Republic of) 2
- Russian Federation 163
- Hungary 3
- Netherlands 16
- Czech Republic 23
- China 89
- Belgium 8
- Pakistan 2
- Norway 3
- Croatia 5
- Cyprus 5
- Argentina 1
- Slovenia 4
- Mozambique 1
- Bahrain 1
- Panama 1
- Malta 2
- Switzerland 13
- Israel 9
- Azerbaijan 111
- Lithuania 37
- Republic of Korea 2
- Poland 26
- Germany 86
- Australia 16
- Island 2
- Romania 8
- Egypt 1
- Hong-Kong 7
- Swaziland 9
- Portugal 6
- Bulgaria 7
- South Africa 2
- Seychelles Islands 1
- Taiwan (Province of China) 1
- Botswana 1
- Ukraine 302
- Great Britain 52
- United Arab Emirates 15
- Turkey 210
- Belarus 22
- Latvia 22
- Greece 14
- Sweden 5
- Kirgizstan 6
- Kazakhstan 30
- Indentified 1
- Serbia 5
- Afghanistan 3
- Japan 2
- Singapore 2
- Monaco 1
- Uzbekistan 2
- Samoa (American) 1
- Lebanon 1
- USA 35
- Spain 31
- Ireland 4
- Denmark 9
- India 24
- Austria 20
- France 21
- Finland 5
- Moldova 2
- Estonia 11
- Canada 8
- Philippines 1
- Virgin Islands (British) 3
- Slovakia 8
- Macedonia 1
- Korea (Public Democratic Republic of) 5
- Iraq 1
- Turkmenistan 1



It should as well be mentioned, that along with our neighbor states, countries located quite remotely from the region are also interested and participate in tenders announced within the Unified Electronic System of State Procurement of Georgia.

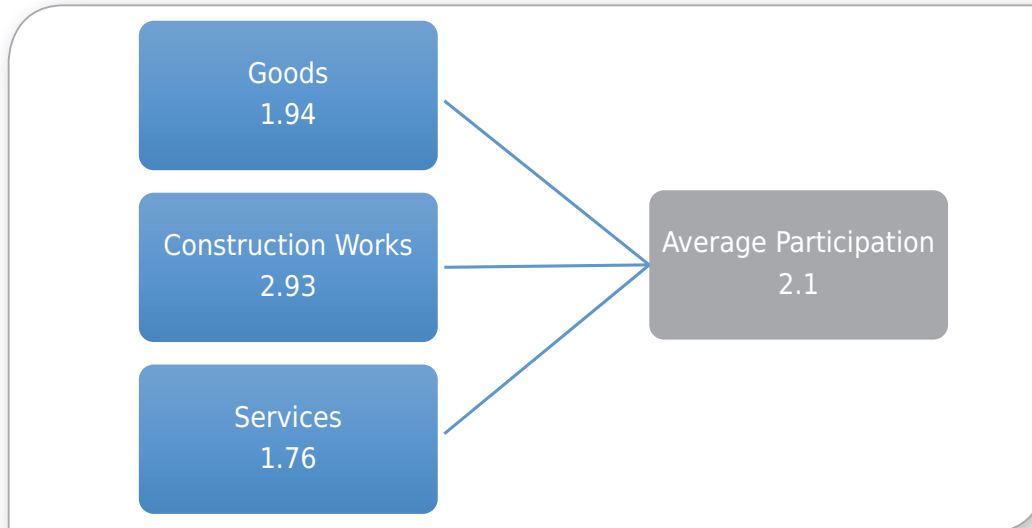
Diagram N11: Distribution of non-resident suppliers according to regions



In 2018 the average number of bidders participating in tenders amounted to 2.1. The number of bidders according to supply of goods, construction works and services is distributed as follows:

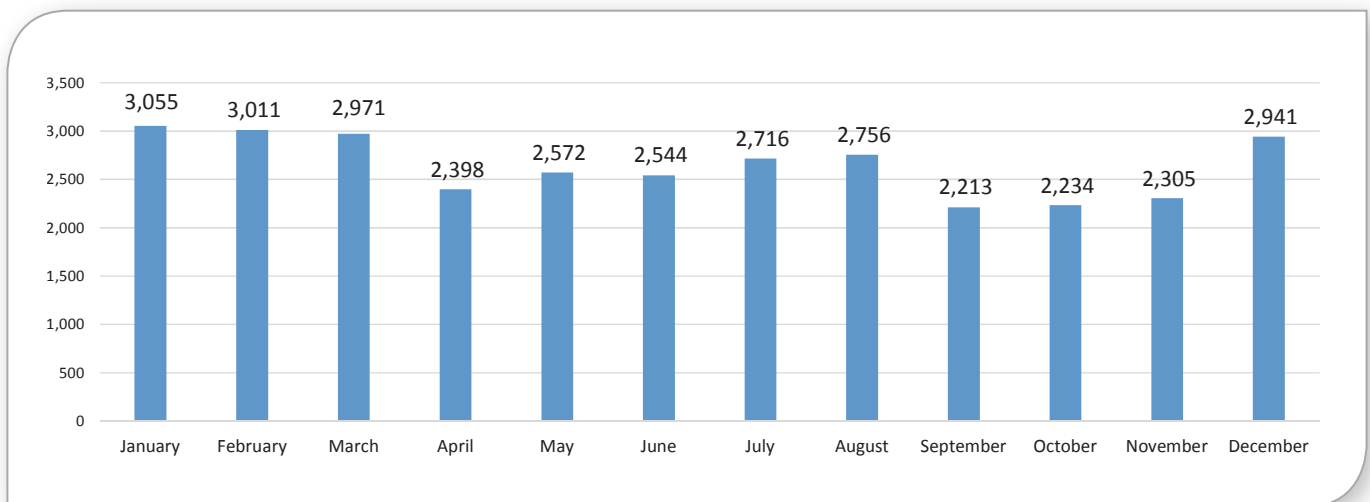


Diagram N12: Average participation index according to procurement object



Worth mentioning is also the distribution of announced tenders according to months. December-March period proves to be particular active.

Diagram N13: Number of announced tenders according to months



Data do not cover GEO, DEP, CON and B2B tenders, cover trading with pricelist.

Additionally, it will be interesting to discuss certain procurement categories and statistics of contracting authorities. Specifically, special mention should first of all be made of the CPV categories with the highest rate of savings. According to these figures, there are no fundamental changes in statistics. The highest rate of savings again accounts for construction works CPV categories. See Table N5.

Table N5: Top10 procurement categories according to savings

N	CPV Code	Estimated Value	Contract Value	Savings	%
1	45200000 - Works for complete or part construction and civil engineering work	1,731,138,978	1,549,536,382	181,602,596	10%
2	45400000 - Building completion work	112,559,566	98,830,618	13,728,948	12%
3	71300000 - Engineering services	53,861,542	46,482,378	7,379,164	14%
4	33600000 - Pharmaceutical products	64,090,779	57,671,281	6,419,498	10%
5	45100000 - Site preparation work	40,485,745	34,573,021	5,912,724	15%
6	45300000 - Building installation work	56,995,506	51,313,436	5,682,070	10%
7	30200000 - Computer equipment and supplies	40,008,179	34,680,854	5,327,325	13%
8	34100000 - Motor vehicles	129,378,258	124,596,506	4,781,752	4%
9	90900000 - Cleaning and sanitation services	23,043,537	19,721,797	3,321,740	14%
10	66500000 - Insurance and pension services	20,419,640	17,315,006	3,104,634	15%



In 2018 Department of Roads of Georgia of the Ministry of Regional Development and Infrastructure of Georgia demonstrated the highest rate of savings through e-Tendering (over 50 million GEL). The leader is followed by the Tbilisi City Hall and Georgian Gas Transportation Company, LLC.

Table N6: Top 10 contracting authorities according to net savings

N	Procuring Entity	Economy
1	Ministry of Regional Development and Infrastructure of Georgia, Department of Roads of Georgia	51,567,793
2	Tbilisi City Hall	27,887,545
3	LTD "Georgia Gas Transportation Company"	16,740,535
4	Ministry of Internal Affairs of Georgia	10,245,350
5	City Hall of Self-Governing City - Batumi	8,079,008
6	Educational and Scientific Infrastructure Development Agency	6,526,153
7	Adjara Autonomous Republic Department for Management of Motorways and Amelioration System	6,475,805
8	LTD Stadium	4,681,652
9	LTD "The Joint Water Supply Company of Georgia"	3,730,460
10	Tbilisi Samgori District Gamgeoba	3,272,830

Also interesting is the average participation ratio according to procurement categories. As demonstrated by below tables (Table N7 and Table N8) average participation is rather high in certain procurement categories (e.g. building completion works – 3.48), whilst competition is rather low with regard to others, and there is even a lack of competition within certain categories.

Table N7: Top 10 procurement categories with highest average participation rate

N	CPV Category	Tender Quantity	Bidders Quantity	Average Participation
1	45400000-Building Completion Works	995	3,459	3.48
2	45300000- Building installation work	519	1,586	3.06
3	79800000-Printing and related services	439	1,216	2.77
4	45200000- Works for complete or part construction and civil engineering work	3,299	9,102	2.76
5	45100000-Construction site preparation works	245	657	2.68
6	66500000 - Insurance and pension services	194	493	2.54
7	33700000 - Personal care products	195	478	2.45
8	39100000 - Furniture	361	866	2.40
9	90900000 - Cleaning and sanitation services	215	507	2.36
10	44500000 - Tools, locks, keys, hinges, fasteners, chain and springs	127	293	2.31

For data to be statistically significant, the CPV categories are chosen with regard to which more than 100 tenders are announced per year.

E.g., 748 tenders were announced for pharmaceutical products, whilst competition rate for these tenders makes 1.57. The competition is obviously low in connection with telecommunication services and road transport services (1.3) as well. Detailed information is given below, in Table N8.



Table N8: Top 10 Procurement categories with lowest participation rate

N	CPV Category	Tender Quantity	Bidders Quantity	Average Participation
1	64200000-Telecommunication services	151	196	1.30
2	60100000 -Road transport services	397	518	1.30
3	77200000-Forestry related services	282	372	1.32
4	98300000 - Miscellaneous services	138	194	1.41
5	15100000 - Animal products, meat and meat products	227	324	1.43
6	85100000 - Health services	134	193	1.44
7	92600000-Sporting services	126	182	1.44
8	50100000- Repair, maintenance and associated services of vehicles and related equipment	220	336	1.53
9	09100000-Fuel	127	195	1.54
10	33600000-Pharmaceutical products	748	1,173	1.57

For data to be meaningful, the CPV categories are chosen, with regard to which more than 100 tenders are announced per year.

Worth mentioning is also the analysis of data of contracting authorities according to number of tenders and net amounts. As demonstrated by below Table, the largest number of tenders in 2018 was announced by the Tbilisi State Medical University, Tbilisi City Hall and the Ministry of Internal Affairs of Georgia.

Table N9: Contracting authorities according to number of announced tenders

N	Procuring Entity	Announced Tenders	Total Estimated Value
1	Tbilisi State Medical University	463	18,360,042
2	Tbilisi City Hall	442	214,262,908
3	Ministry of Internal Affairs of Georgia	411	133,552,517
4	JSC Georgian State Electrosystem	313	59,694,164
5	Ministry of Defense of Georgia	284	27,908,117
6	Adjara Autonomous Republic Department for Management of Motorways and Amelioration System	283	56,853,461
7	LEPL National Forestry Agency	279	8,436,288
8	Ivane Javakhishvili Tbilisi State University	246	12,518,396
9	LEPL Revenue Service	237	22,990,850
10	Tbilisi Transport Company	215	96,778,652

As regards net estimated value, the list of top ten contracting authorities is headed by the Ministry of Regional Development and Infrastructure of Georgia, Department of Roads of Georgia with net estimated value of 633 million GEL, being followed by Tbilisi City Hall and the Ministry of Internal Affairs of Georgia.



Table N10: Contracting Authorities according to net estimated value of tenders

N	Procuring Entity	Announced Tenders	Total Estimated Value
1	Ministry of Regional Development and Infrastructure of Georgia, Department of Roads of Georgia	164	633,259,661
2	Tbilisi City Hall	442	214,262,908
3	Ministry of Internal Affairs of Georgia	411	133,552,517
4	Tbilisi Transport Company	215	96,778,652
5	Educational and Scientific Infrastructure Development Agency	59	84,049,502
6	LTD Stadium	10	69,161,370
7	JSC Georgian State Electrosystem	313	59,694,164
8	Adjara Autonomous Republic Department for Management of Motorways and Amelioration System	283	56,853,461
9	LTD "Georgia Gas Transportation Company"	58	56,526,750
10	LTD "The Union of Airports of Georgia"	24	55,613,272



IMPROVEMENTS TO LEGAL FRAMEWORK

As in previous years, major amendments were made to legal framework regulating public procurement in 2018. Particular mention should be made of the following reforms accomplished during this period:

1. Order N4 (7 March 2018) of the Chairman of the State Procurement Agency was issued On Amendment of Order N12 (14 March 2017) of the Chairman of the State Procurement Agency On Approval of the Procedure of Holding e-Tenders. As a result the procedures of holding e-tenders were further improved. Furthermore, a new code - 85100000 Healthcare Services - was added to CPV Codes subject to trading with a pricelist.
2. Order N7 (19 March 2018) of the Chairman of the State Procurement Agency was issued On Amendment of Order N19 (29 October, 2015) of the Chairman of the State Procurement Agency On Approval of the Procedure and Terms of Maintenance of the Black List. As a result, refusal of a bidder to execute a contract or otherwise demonstration of refusal seized to be grounds for registration in the Black List.
3. Order N8 (30 July, 2018) of the Chairman of the State Procurement Agency was issued On Approval of the Procedure and Terms and Conditions of Conducting Procurements by a Private Contracting Authority through Unified Electronic System of Public Procurement. These representatives of private sector are now allowed to use the Unified Electronic System of Public Procurement for the announcement of their tenders (for the so-called B2B relationships).
4. Order N9 (20 September, 2018) of the Chairman of the State Procurement Agency was issued On Amendment of Order N13 (17 August, 2015) of the Chairman of the State Procurement Agency On Approval of the Determination of Criteria of Simplified Procurement and Procedure of Conducting Simplified Procurements. As a result, the criteria for conducting simplified procurement due to urgent necessity were tightened.
5. Order N12 (27 November, 2018) of the Chairman of the State Procurement Agency was issued On Amendment of Order N12 (14 June, 2017) of the Chairman of the State Procurement Agency On Approval of the Procedure of Holding Simplified Tenders. As a result of the aforementioned amendment non-breaking down the costs will become the basis for disqualification of a bidder participating in a tender only when the breakdown is not presented at all or the number of positions of non-broken-down costs exceeds 1% of positions, subject to breaking down.



6. Order N14 (14 December, 2018) of the Chairman of the State Procurement Agency was issued On Approval of the Procedure and Terms and Conditions of Holding Consolidated Tenders and the unified procedure of holding consolidated tenders was approved irrespective of procurement objects.

DISPUTE RESOLUTION

Public procurement related disputes in Georgia are resolved by the independent authority, created on the basis of the Law of Georgia on Public Procurement - Board for Resolution of Public Procurement Related Disputes (Dispute Resolution Board).

The main goals of the Board is to resolve disputes arisen in the course of conduct of tender and contest procedures in the most expedient, efficient and fair manner.

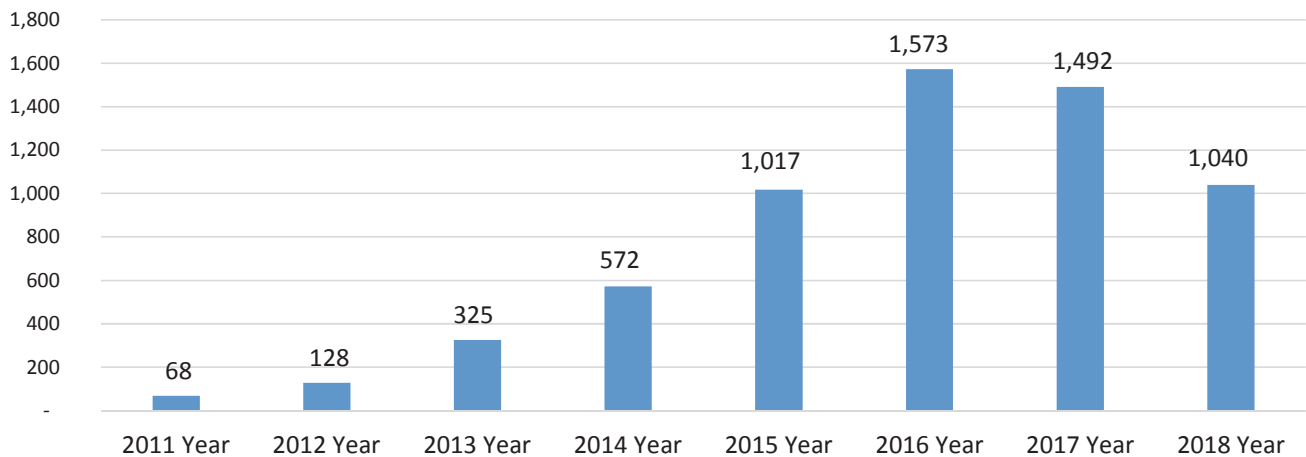
The electronic module of appealing public procurement related disputes was added to the Unified Electronic System of Public Procurement in 2011. This module enables interested persons to electronically submit their complaints to Dispute Resolution Board with regard to alleged violations of tender and contest procedures without even leaving their offices.

The electronic module is public and any person, who is registered in the Unified Electronic System of Public Procurement, can see the complaints filed with regard to tenders, attached thereto documents and decisions made by the Board.

In 2018 Order N1 (8 February, 2018) of the Chairman of Public Procurement Agency was issued On Approval of the Rules of Procedure of the Dispute Resolution Board, which inter alia regulated the procedure of appointment, election and nomination of the Board members and also the procedure of reviewing complaints by the Board.

During the past year 1,040 complaints were filed with Dispute Resolution Board. Diagram N14 shows the number of complaints filed with the Board according to years.

Diagram N14: Statistics of complaints filed with Dispute Resolution Board in 2011-2018



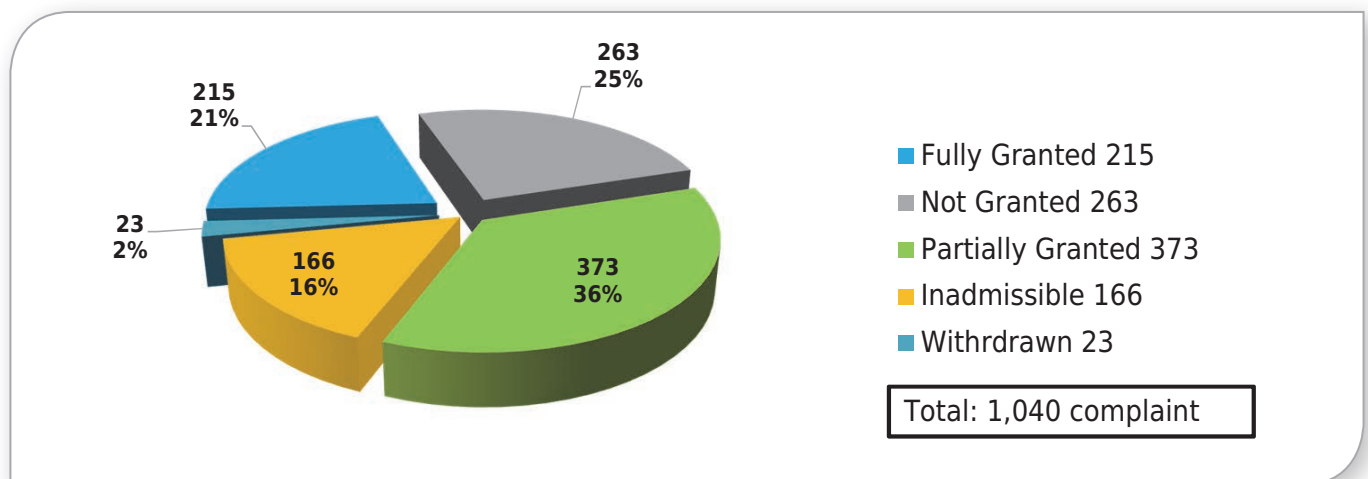
Decrease of the number of complaints in 2018 as compared with 2016 and 2017 was mainly conditioned by reforms accomplished during the past years. Specifically, the amendments of 2017 regulated certain aspects related to Rules of Procedure of the Dispute Resolution Board. In particular, before these amendments tenders and contests could have been appealed free of charge and any person registered as a supplier in the Unified Electronic System of Public Procurement had access to appeal procedure. Because of this practice quite often the complaints were filed without any grounds, what undeniably obstructed the conduct of tenders and contests within timelines set for the procedures. Contracting authorities would fail to timely procure necessary goods, services and construction works, what considerably affected smooth operation of the contracting entities themselves, as well as expedient and efficient implementation of the necessary for the country projects in general.



As a result of accomplished reform the fee for filing a complaint was introduced amounting to 2% of the estimated value of the procurement, but maximum 500 GEL and minimum 100 GEL. Furthermore, the concept of "interested parties" was defined. Owing to this definition tender or contest terms and conditions can be appealed by any person registered in the System. And once the deadline for submission of tender or contest proposals is expired, the right to appeal is enjoyed only by a bidder participating in a tender/contest.

Most of the complaints filed in 2018 - 588 in total - were resolved in favor of the business sector (were fully or partially granted by the Board). Detailed distribution of the statuses of complaints are given on Diagram N15.

Diagram N15: Statistics of complaints filed with Dispute Resolution Board in 2018





166 complaints were found inadmissible on the following grounds:

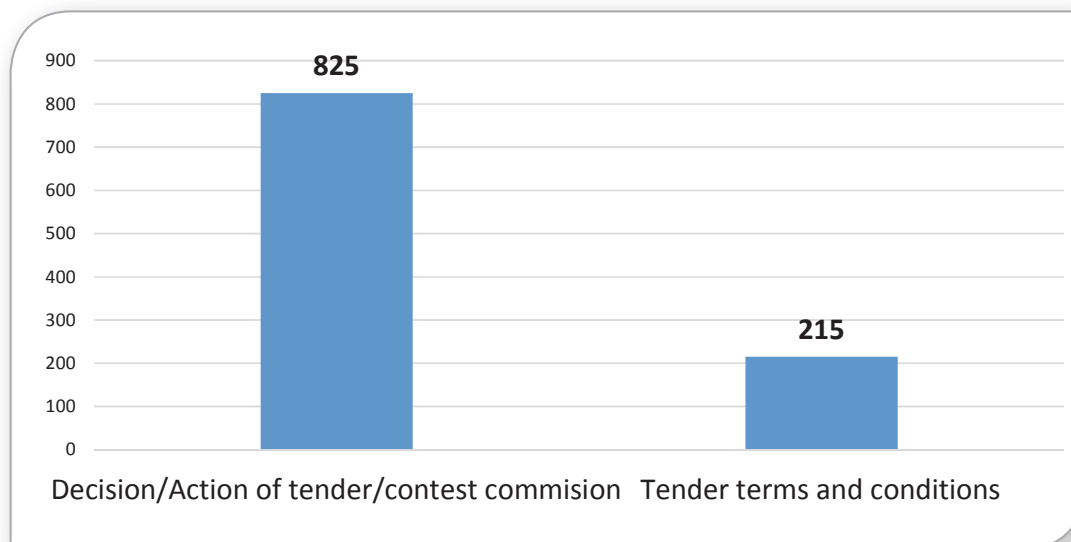
5 days' period set for appealing a decision/act of a contracting authority or/and tender/contest commission is expired	48
The period for appealing tender terms and conditions is expired	30
A contract on public procurement is executed	16
5 days' period set for appealing a decision/act of a contracting authority or/and tender/contest commission is expired and also a contract on public procurement is executed	2
Deficiency, found by Board Office was not corrected	25
The complainant missed the period, set for the adjustment of the complaint	33
Subject matter of the dispute does not exist	1
No decision/act of tender commission of a contracting authority is available	1
Complaint concerns the issue, which is being reviewed by the Board between the same parties and on the same grounds	1
Complaint concerns the issue, with regard to which a Board decision is already available in the dispute between the same parties, regarding the same issue and under the same grounds	2
Complaint concerns the decision of contracting authority about the termination of the procedure	6
The period set for appealing the explanation of tender/contest commission about the question posed through "Question-Answer" module or refraining from the answer is expired	1

23 complaints were withdrawn by the complainants themselves.

Most of 1,040 filed complaints - 825 - concerned the decisions and acts of tender/contest commissions, while 215 complaints - tender terms and conditions. (See Diagram N16).



Diagram N16: Grounds of Complaints filed with Dispute Resolution Board in 2018



The below Table N11 shows the distribution of complaints, filed with the Board according to statuses and procurement modes.

Table N11: Distribution of complaints, filed with the Board in 2018 according to statuses and procurement modes

Procurement Method	NAT	SPA	DAP	MEP	CNT
Fully Granted	171	43	1	0	0
Partially Granted	278	84	10	0	1
Not granted	202	58	2	1	0
Found inadmissible	113	45	0	1	7
Withdrawn by the complainant	20	2	1	0	0
Total	784	232	14	2	8



INITIATION OF CENTRALIZED PROCUREMENTS

In 2018 major reforms were accomplished in the light of conducting consolidated tenders. To ensure still more efficient disbursement of budget resources Resolution N446 of the Government of Georgia (29 August, 2018) provided for centralized procurement of certain types of procurement objects.

Among planned outcomes of the reform are the saving of budgetary resources, reduction of corruption risks, the number and volume of failed tenders and simplified tenders. The efficiency of administrative authorities will be increased, the risk of even theoretically possible corrupt transactions will be minimized, the quality of procurement objects will be improved (through unification and standardization), what ultimately will be beneficial for each and every citizen.

Based on the foregoing the new procurement objects were added to existing consolidated tenders. In total 61 consolidated tenders were announced in 2018 through the Unified Electronic System of Public Procurement, contract value of which tenders amounted to 290 million GEL.

In 2018 the volume of public procurements exceeded 4 (four) billion GEL, of which procurements for 3,7 billion GEL (93%) were effected through open e-tenders and simplified procurements and 290 million GEL (7%) were disbursed through consolidated tenders.



Table N12: Number of consolidated tenders announced in 2018 according to procurement mode

Procurement Object	Quantity of announced tenders
5 different oil products (fuel)	8
Mobile network service	1
Tender for standard PCs and standard portable computers	2
A4 printing paper of Premium and high quality	6
M+S, summer and winter tire-covers for passenger cars	38
Uninterrupted Power Supply System (UPS)	1
Procurement of Television Airtime through rating (wGRP);	3
Single-function and multifunction printers and original cartridges for them	2

The Table below shows the announced amounts and savings in details with regard to each of them.

Table N13: Volume of procurements object announced within the framework of consolidated tenders and savings

	Procurement Object	Announces amount	Economy per unit (GEL)
1	Oil products (fuel)	74,450,000 Litres	31,145,026 GEL
2	Mobile network service	260,000 Subscribers	N/A
3	PCs	8,000 - Desktop, 5,500 - Laptop	1,518,300 GEL
4	A4 printing paper	600,000 - Premium quality printing paper 100,000 - High quality printing paper	524,502 GEL
5	Tire-covers of passenger cars	44,002 Tire-covers	4,235,675 GEL
6	UPSs	7,500 - pieces UPS	272,938 GEL
7	Procurement of Television airtime (WGRP)	↳Approximate value of budget allocated for the procurement of television airtime 1,882,433 GEL	7,833,443 GEL
8	Printers and cartridges	1,200 single-function printers and original ink cartridge with 12,000,000 page yield	1,338,885 GEL
		3,000 multi-function printers and original ink cartridge with 34,000,000 page yield	



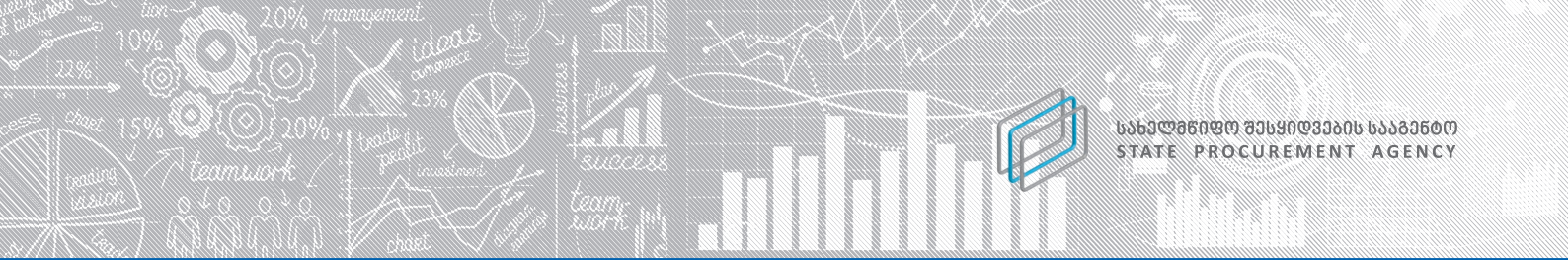
Before the announcement of these tenders, the market surveys were conducted in relevant fields and draft tender documents were prepared. Also the business meetings were arranged with the experts of relevant fields aiming at the alignment of procurements objects announced within the framework of consolidated tenders with international standards.

After the announcement of all the aforementioned tenders, tender proposals of lowest-price bidders were considered within each tender at selection-evaluation stage and protocols on announcement of relevant bidder(s) as winners were drafted. Additionally, a model contract to be executed within the framework of each consolidated tender was drafted in cooperation with winner suppliers, which model contract was then published on SPA official web-page.

Up to 6,000 permissions for fuel and papers, requested by contracting authorities in module, integrated into Consolidated Tenders Management System, were duly addressed in 2018 with due consideration of the regulations and recommendations developed by Tender Commission for Consolidated Tenders and each permission was granted relevant status.

Savings made in 2018 through consolidated tenders with regard to wholesale and retail prices of relevant procurement objects exceeded 45 million GEL. It should be noted that this amount does not cover savings made within the framework of consolidated tenders for mobile telephone services.

Currently, intensive analytical and research activities are underway for the identification of objects, procurement of which in a consolidated manner will be justified in the light of the principle of efficient disbursement of budgetary resources.



PRACTICE OF SIMPLIFIED PROCUREMENT

In 2018 the volume of contracts executed on the basis of simplified procurement amounted for 19% of the total procurement value, what is 5% less than similar showing for 2017. It should be mentioned, that 3,165 applications were received in 2018, what is again 3% less than the similar showing for the past year (3,271 applications in 2017).

Diagram N17: Distribution of applications, filed with SMP module according to their grounds

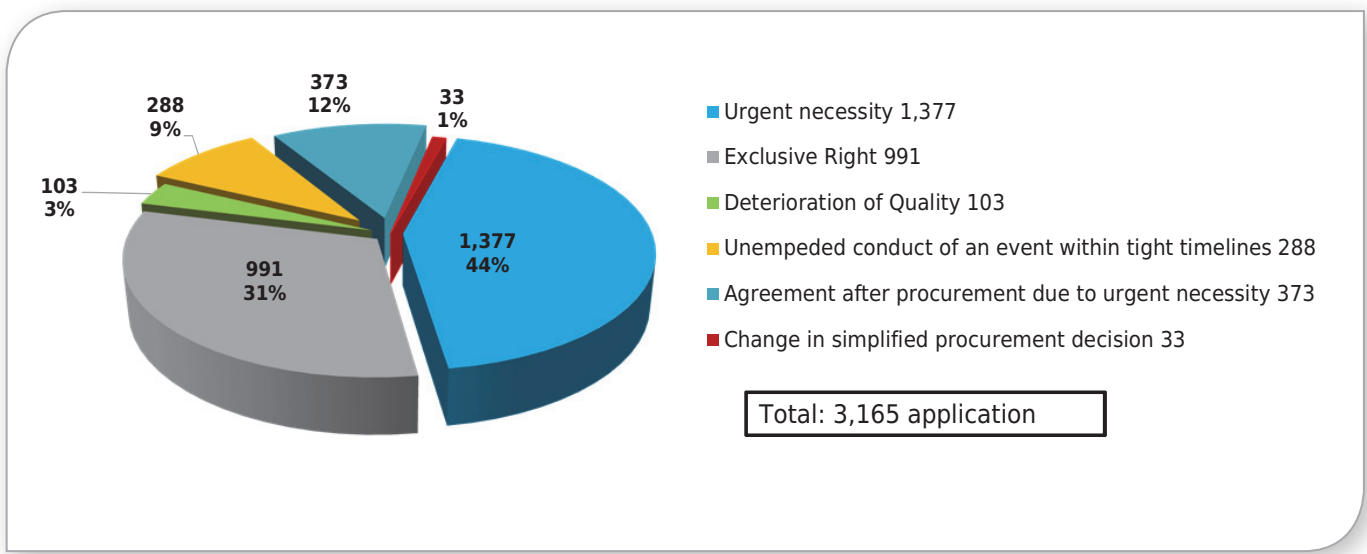
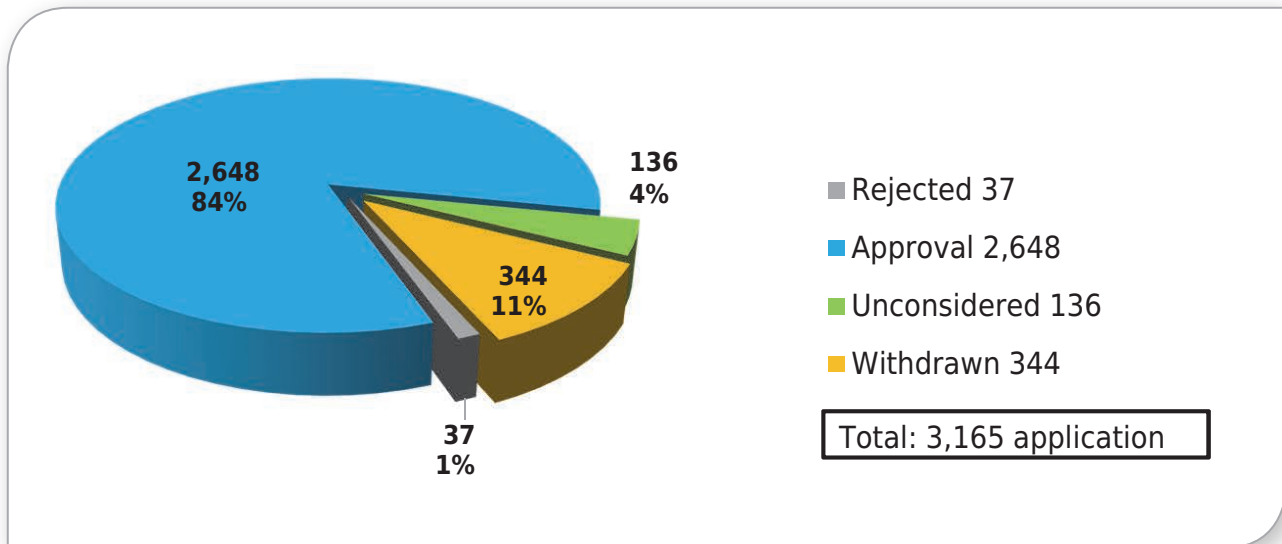




Diagram N18: Distribution of applications, filed with SMP module of the System according to their statuses



The above Diagram demonstrates, that 84% of the applications were accepted and rejected applications account for 16% of total number of applications. 2,648 consents were granted with regard to applications, filed in SMP module in 2018 (2,627 applications in 2017).

Statistics of applications filed by contracting authorities and decisions made by SPA in 2018 are given in Table N14.

Table N14: Detailed distribution of applications filed in SMP

Grounds of Procurement	Rejected	Approved	Unconsidered	Withdrawn	Total
Urgent necessity	15	1,102	61	199	1,377
Exclusive Right	14	849	53	75	991
Deterioration of Quality	5	70	10	18	103
Unimpeded within tight timelines	2	248	3	35	288
Agreement after procurement due to urgent necessity	1	354	9	9	373
Modification in Simplified Procurement Decision	-	25	-	8	33
Total:	37	2,648	136	344	3,165



ADMINISTRATIVE INFRINGEMENTS AND COURT LITIGATIONS

In 2018 the SPA drew up 116 reports on administrative infringements against 370 persons. They were adequately addressed after being reviewed. Specifically, the facts were qualified according to applicable articles of the Code of Administrative Offences of Georgia and relevant written notices were circulated. The court has applied warning with regard to most of the cases on infringements, referred to the courts of law.

In total 683 legal proceedings were conducted in 2018. Overall 217 cases were reviewed by the courts of law during 2018, of which 116 cases concerned reports on administrative offences, drawn up by the SPA, 63 cases - the ordinances of the SPA Chairman on registration in the Black List, 24 cases concerned decisions of the Dispute Resolution Board (the court has satisfied claim in 1 case), 4 cases - consolidated tenders, 5 civil disputes on refund of the grant amount and 7 cases - refund of civil amount, submitted by the SPA. Also appealed was 1 Ordinance on the registration in the White List and the court of law upheld the SPA decision. 1 case concerned request for public information.

Furthermore, 3 permission acts, issued through SMP module were appealed, but proceedings were terminated on the basis of SPA submissions.

As already mentioned, of 1,040 complaints filed with Dispute Resolution Board, 24 decisions of the Board were appealed with the courts of law - these decisions make 2.3% of filed complaints. In 1 of 24 cases the court of first instance has upheld the claimant's claim, what was appealed with the Court of Appeals.

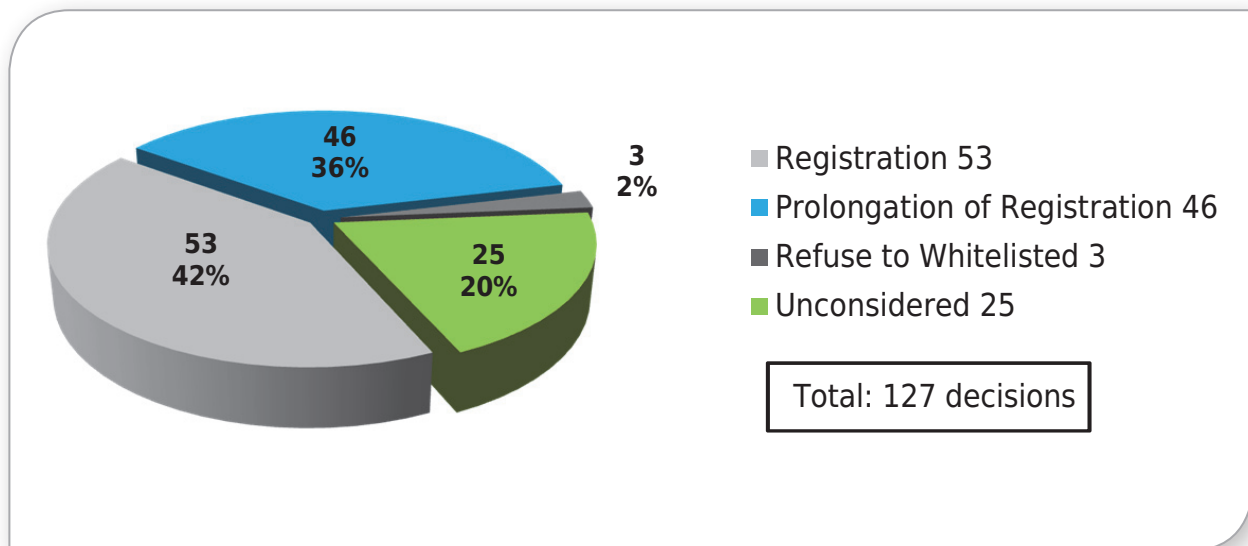
Also, in 2018 64 ordinances issued by the SPA Chairman with regard to the Black List were appealed. In all 64 cases the court of law has found, that the SPA act was lawful and upheld all the decisions.

MAINTENANCE OF THE WHITE LIST

One of the duties of the SPA is the maintenance of the register of qualified suppliers participating in procurements - the so-called "White List".

In total 127 decisions were made by the SPA in 2018 with regard to registration in the White List and extension of the registration. The detailed results are shown on Diagram N19.

Diagram N19: Distribution of decisions made in 2018 with regard to White List, according to their statuses



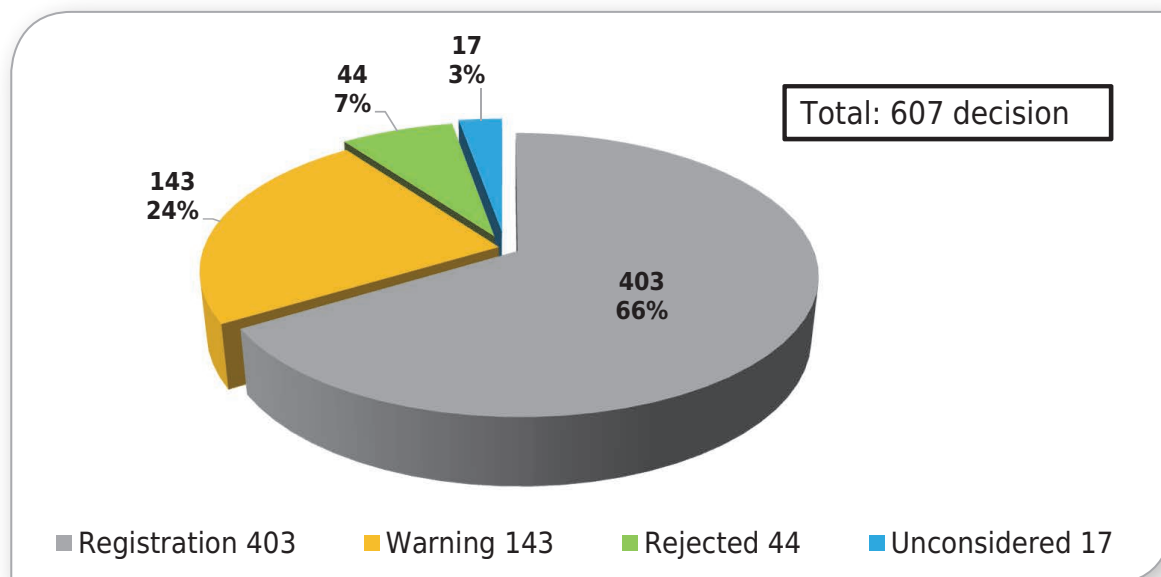


MAINTENANCE OF THE BLACK LIST

Along with the White List the SPA also maintains the register of mala fide suppliers - the so-called the Black List.

607 applications were filed with the SPA regarding registration of the suppliers in the Black List. In 403 cases the suppliers were registered in the Black List, 143 suppliers were given the warning. The detailed results of the decisions are given on Diagram N20.

Diagram N20: Distribution of decisions made in 2018 with regard to Black List, according to their statuses



It should as well be mentioned, that as a result of the reform, accomplished in 2018, a winner of a tender or contest, who refuses or otherwise demonstrates his refusal to sign a public procurement contract, will not be subject to registration in the Black List.



PERMANENT MONITORING

One of the main duties of the SPA is the regular monitoring of procurements conducted through electronic public procurement procedures, annual plans and simplified procurements.

During the period from the first of January until 31 December 2018, 14,814 tenders with "Contract Awarded" status, filtered according to various risk factors and criteria, and 639 tenders with statuses: "Tender Terminated", "Contract not Awarded," "No bids Received " were fully monitored via automatic messages of the System.

Furthermore, 8,400 tenders were monitored within the System with a view to establishing the adequacy of disqualification of bidders.

The SPA is also monitoring contracts awarded through contests and simplified procurement, presented through CMR module. In total 60 contracts awarded through contests and 52,688 contracts awarded through simplified procurement were monitored.

1,815 letters were sent to contracting authorities with regard to revealed violations. In 116 cases the reports on administrative infringement were drawn up and in other cases the SPA limited itself to written directions-recommendations.

DIDACTIC ACTIVITIES

The SPA Training Centre has been intensively working during the past year as well. Highly qualified experts of public procurement field are leading various training courses.

Apart from basic two-weeks course the Training Centre also conducted trainings according to three different programs:

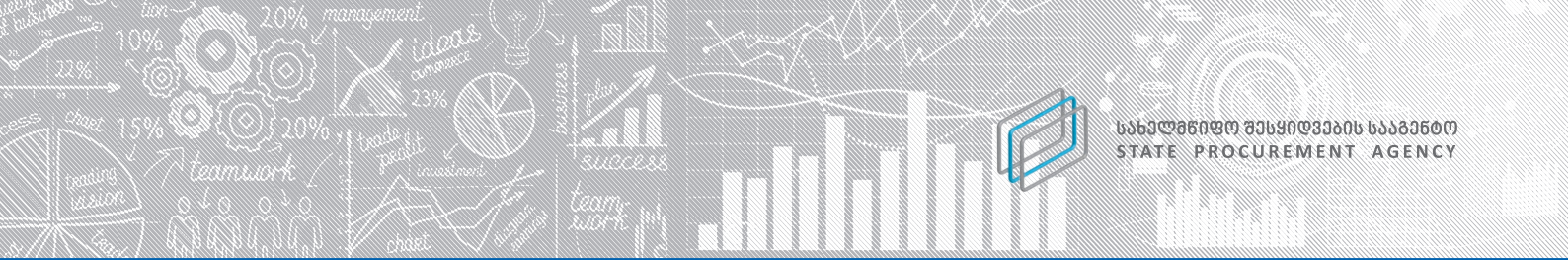
- Novelties in Public Procurement - for practicing procurement specialists;
- Topical Challenges and Novelties of Public Procurement - for the Mayors of Georgian Municipalities;
- Course in Public Procurements and Training of Trainers - for suppliers.



Only in 2018, 26 series of trainings and workshops were arranged at SPA Training Center under the participation of the trainees from all the regions of Georgia. Amongst the trainees were the procurement specialists of state agencies, 71 Municipalities and City Halls and city boards of self-governing cities, also the representatives of business-organizations. Of them, in total 315 (three hundred fifteen) certified trainees were retrained by the Training Centre. Furthermore, 5 thematic meetings were arranged with the Mayors and authorized representatives of Georgian Municipalities and 13 one-day trainings for certified public procurement specialists (369 trainees), 1 training for suppliers (15 trainees); overall 816 (eight hundred sixteen) trainees were retrained.

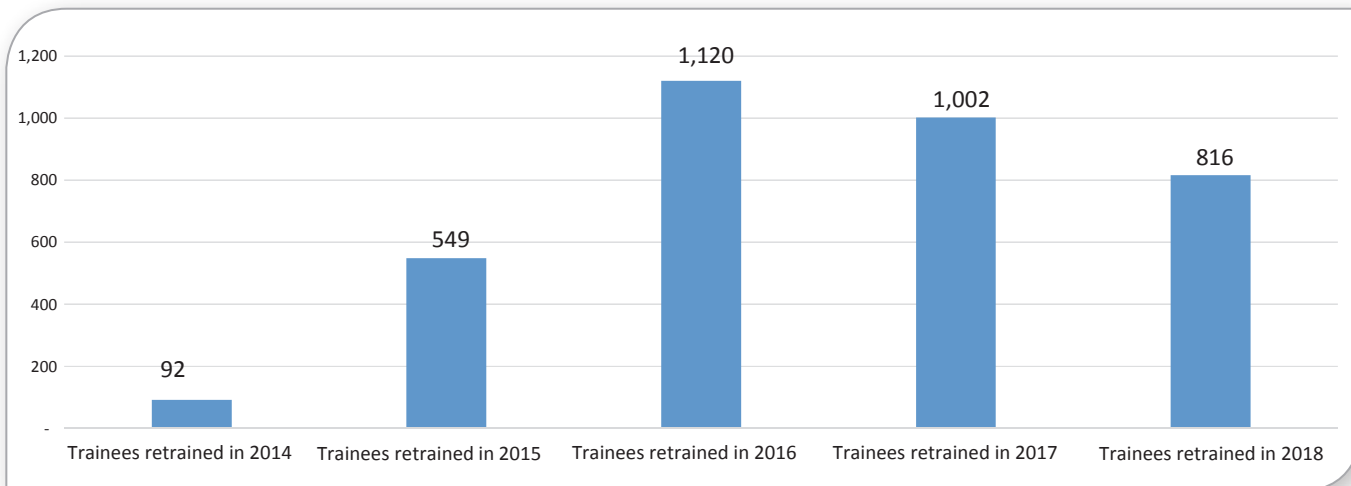
From 2014 till present 2,824 specialists, employed in procurement field were trained and certified by SPA Training Center, amongst them 1,327 trainees were from central government state agencies, 1,427 were the procurement specialists of local self-governance bodies and public and private law legal entities, founded thereby and 70 representatives - from business sector.

These figures do not include the trainees invited to workshops and various informational-consultancy-educational meetings - their overall number amounted to 358. Also one-day training courses were



taken by 369 trainees and 117 trainees from Municipality City Halls. In total the SPA Training Centre has retrained 3,668 trainees from October 2014 till December 2018.

Diagram N21: Dynamics of trainees retrained in 2014-2018





Like past year, the Training Centre was intensively cooperating with foreign and local organizations in 2018 as well. They greatly contributed to the arrangement of joint trainings and workshops in the capacity of donors and partners.

In 2018 amongst SPA Training Centre partners and donors were:

- GoG Administration;
- Ministry of Regional Development and Infrastructure;
- Tbilisi City Hall;
- Chamber of Commerce of Georgia;
- Various WB projects;
- USAID Program G4G;
- USAID Program HICD 2020.

PUBLICATIONS

With a view to familiarization and study of public procurement procedures the State Procurement Agency has updated and published several manuals and guidelines under the assistance of USAID - G4G program. In particular:

1. User Manual for Unified Electronic System of Public Procurement: CMR, ePlan, SMP and Ranking electronic modules;
2. User Manual for Unified Electronic System of Public Procurement: e-Tenders;
3. User Manual for Unified Electronic System of Public Procurement: Electronic Procedure of Procurement through Donor's resources and Electronic System of Grant Contest;
4. User Manual for Unified Electronic System of Public Procurement: System Functionality, User Registration and Profile Management;
5. Georgian legislation on Public Procurement;
6. Public Procurement: Guidelines and Best Practice.

COMMUNICATION WITH THE CUSTOMERS

In 2018 the document flow (number of incoming and outgoing letters) of the SPA amounted to 15,713 (in 2017 this figure made 17,478). Also 1,519 e-mails letters were received (info@procurement.gov.ge) and addressed (1,941 in 2017). Total 2,195 letters were archived in 2018 (2,031 in 2017).

Each and every interested person is entitled to get exhaustive and competent answer via SPA Citizen Hotline service. In total 17,781 calls were received and answered in 2018.

Table N15: Statistics of calls to Hotline service

Content of Call	Quantity	%
Technical Parameter/Questions Regarding System functional	6,983	39.3
Questions regarding regulations	5,639	31.7
Consolidated Tenders	1,924	10.8
Questions regarding banking services	1,528	8.6
Questions regarding Review Body/Appeal System	1,245	7
Questions regarding urgent necessity procurement	234	1.3
Other	228	1.3
Total:	17,781	100

Integrated into the System Short Message Service (SMS) and system notices keep persons interested in public procurement constantly updated about the development of new services and modules. They can also receive information about tenders they are interested in. Only in 2018 approximately 46 million system notices and over 282 thousand SMSs were circulated.



INTENSIFICATION OF INTERNATIONAL RELATIONS

Like previous years, 2018 was also very rich and efficient for the State Procurement Agency in the light of intensification of international relations:

- During 2018 public - private dialogue format meetings were arranged in Batumi (15 June), Telavi (13 July), Gori (13 August), Kutaisi (10 September) within the framework of USAID project Governance for Growth in Georgia (G4G) and under the assistance of the Chamber of Commerce. Amongst of the participants of the meetings were the representatives of the SPA, Chamber of Commerce and local SMEs. The meetings aimed at raising the level of interest in public procurement of the entrepreneurs, operating in regions and provision for their maximal involvement in public procurement proceedings.





- The SPA intensively proceeds with the fulfillment of commitments undertaken within the framework of Deep and Comprehensive Free Trade Area (DCFTA).
- The SPA is still intensively participating in Public Expenditure and Financial Accountability (PEFA) program in cooperation with the WB, EU and the Ministry of Finance of Georgia. The data necessary for drafting Progress report were submitted in close cooperation with the Ministry of Finance, which data was duly reflected in Final Report.
- The SPA is intensively involved in Open Government Partnership (OGP) international initiative. On 17-19 July, 2018 Open Government Partnership fifth global summit was held in Tbilisi. The summit was attended by about 2,000 participants from 70 countries. A special session the summit was dedicated to the issues of public procurement and reforms implemented by State Procurement Agency of Georgia. At this session the State Procurement Agency presented Report on Fulfillment of Commitments within the framework of the OGP Action Plan 2018 together with the WB Group, EBRD and British representatives of Open Contracting Partnership (OCP) organization.





- The SPA is intensively involved in the implementation of Public Finance Management (PFM) reform. To this end the SPA regularly updates the Progress Report on the Implementation of Public Finance Management reform and submits it to the Ministry of Finance of Georgia.
- Also topical for the SPA is the implementation of Anticorruption Action Plan. To this end the SPA is cooperating with the Ministry of Justice, within the framework of which cooperation the report on the implementation of Anticorruption Strategy 2017-2018 Action Plan was drafted.
- On 25-27 April, 2018 the representatives of State Procurement Agency participated in the international conference, held in Seoul (South Korea) - Public and Electronic Procurements 2018. The Conference was attended by the First Vice-Prime Minister of South Korea, Ministry of Finance, Minister for the Development of SME and other official persons. The main goal of this forum was global expansion of the access to public procurement markets. The participant countries shared their best practice in public procurement field, also discussed current processes and trends of public procurement field.





- On 8-10 May, 2018 annual international forum PRIMO – 14th Procurement, Integrity, Management and Openness Forum was held in Bucharest (Rumania) under the assistance of the WB, ADB, EBRD and other international financial institutions and organizations. The representatives of the State Procurement Agency also participated in this Forum.





- On 25 - 29 June, 2018, the representatives of the State Procurement Agency visited Austria on a business mission with a view to sharing experience and best practice in the field of public procurement, also for the familiarization with the practice of harmonization of the EU Directives. The meetings were arranged with Public Procurement Federal Agency of Austria, Ministry of Finance, Federal Agency of Austria for Economic Cooperation and Development. The representatives of the State Procurement Agency got familiarized with the centralized procurement system of Austria in details.





- On 17 - 21 September, 2018, the management of the State Procurement Agency participated in the ADB annual International Conference - Global Public Procurement Conference and 4th Conference of the Asia Pacific Public Electronic Procurement Network, held in Washington, DC (USA). Within the framework of this event the experience with the electronic system of public procurement, operating in Georgia, was shared and future plans were identified with regard to development of global strategy of implementation of digital technologies in public procurement field.
- On 16-17 December, 2018 the regular annual meeting of the EU-Georgia Association Committee in Trade Configuration was held in Brussels (Belgium). The State Procurement Agency presented its summative report on the fulfillment of commitments before the EU at this meeting. At the end of the Committee meeting the relevant protocol was signed, defining the next steps of mutual cooperation.



სახელმწიფო შესყიდვების სააგენტო
STATE PROCUREMENT AGENCY

COOPERATION WITH PARTNERS



WORLD TRADE ORGANIZATION



International Labour Organization



USAID
FROM THE AMERICAN PEOPLE



CLDP



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



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სახელმწიფო შესყიდვების სააგენტო
STATE PROCUREMENT AGENCY

Tbilisi 2019