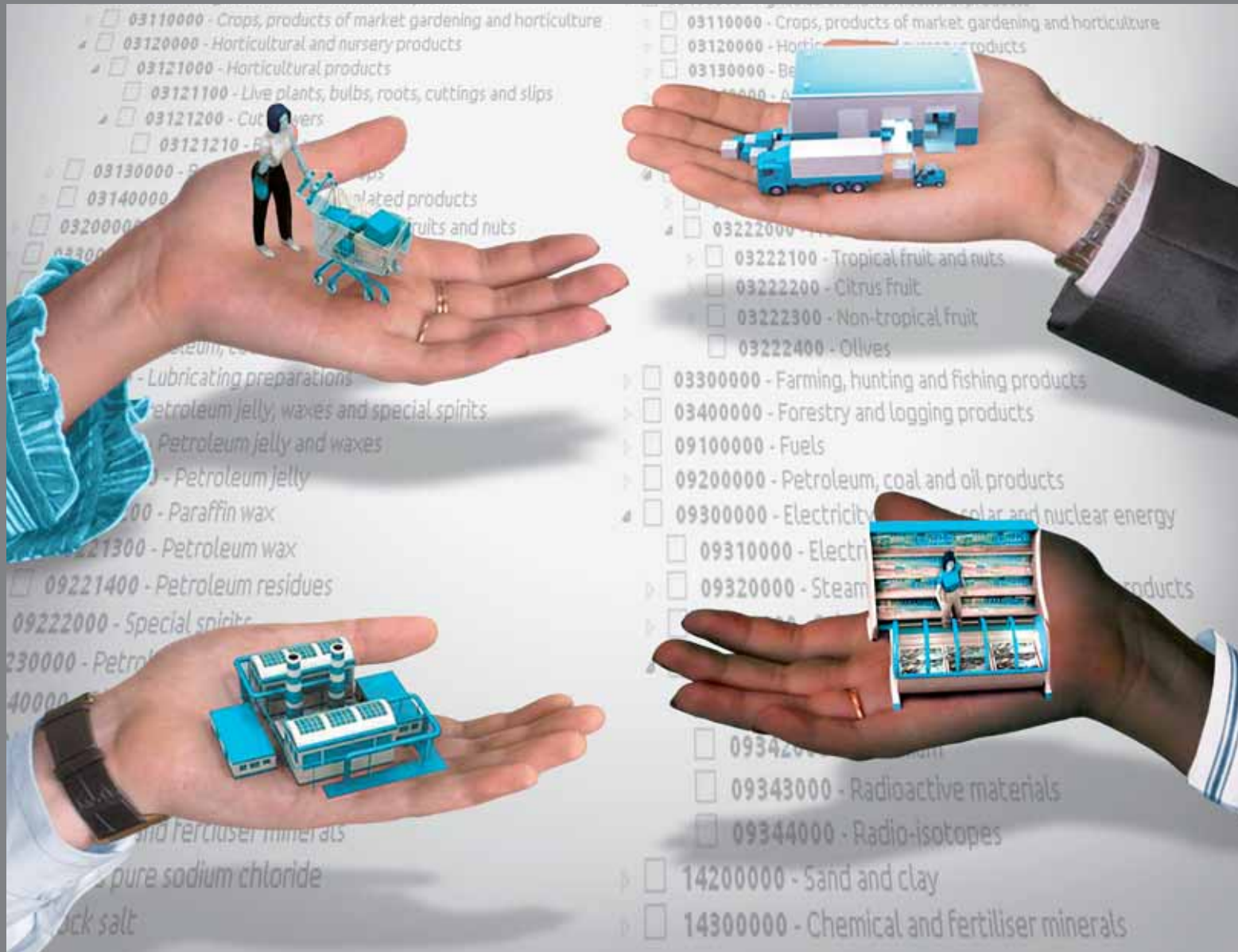




COMPETITION AND STATE PROCUREMENT AGENCY

ANNUAL REPORT 2013





COMPETITION AND STATE PROCUREMENT AGENCY

Tbilisi 2014

COMPETITION AND STATE PROCUREMENT AGENCY

28, Pekini Ave., Tbilisi 0160, Georgia; (+99532) 2 148 881

procurement.gov.ge / info@procurement.gov.ge

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PREFACE

Major reforms have been implemented in the field of state procurement for the previous years in Georgia. The introduced innovations resulted in the creation of Georgian electronic Government Procurement system (hereafter – Ge-GP system) - one of the most transparent, fair and efficient electronic procurement systems in the world, which, according to the assessments of both the direct users of the system and various local and international organizations, is regarded as a commendable system as of to date – the transparent electronic procurement system made state tenders largely available for everyone and considerably simplified the procurement procedures. The Ge-GP system transparency and flexibility guarantee the systemic prevention of corruption, what minimizes the risks of unlawful practices. As a result the level of competition has significantly increased in state tenders what provided for the disbursement of taxpayer resources in exceptionally transparent and fair environment.

The established Ge-GP system, being the extensive database of information about the procurement market and performance of tender participants, enabled us to visualize and evaluate our achievements on the one part and on the other – to analyze the existing data for the identification of measures for further improvement of the system. The current analysis, along with regular revision of international experience, evidences that irrespective of current achievements there is still much work to be done for the perfection of the Ge-GP. It can even be said that the reformation of the state procurement system implies a continuous process – the major challenge of this field is rising of consumer awareness and professionalism; certain efforts are necessary for functional expansion of the system; one of the continuous processes is the analysis and monitoring of the performance of the parties involved in procurement proceedings.

This Report aims at familiarizing its readers with both: the main activities of the Competition and State Procurement Agency in 2013 and the outcomes of the reform – general trends of state procurement market.



GOALS AND PRINCIPLES OF COMPETITION AND STATE PROCUREMENT AGENCY

The main principle of Competition and State Procurement Agency (Hereafter - CSPA) is to study and stay up to date with modern knowledge and developments, what will allow us to take necessary actions on users' needs through offering adequate services and adding new options and applications to the Ge-GP system. Respectively, the CSPA is a service provider, which offers services to its users with due consideration of state interests, takes account of their needs and creates such systems and rules, which ensure efficient and transparent relations between procuring entities and suppliers.

The main goals of the CSPA are as follows:

- Promotion of fair competition through sustaining the principles of publicity, transparency, impartiality and non-discrimination during state procurement proceedings;
- Provision for the operation of the Ge-GP system and further improvement of public confidence in it;
- Perfection of competition and state procurement regulatory framework, provision for its compatibility with international standards and good practices;
- Monitoring and supervision over the legality of state procurement proceedings.

To progress towards the attainment of these goals the CSPA strongly believes that its main duties are as follows:

- Initiation and introduction of legal and technological innovations;
- Provision of services based on the needs of system users;
- Raising user awareness and competencies for the efficient use of the system;
- Efficient integration of state procurement strategy and policies in procurement system.



MAIN ACTIVITIES OF THE CSPA

The Competition and State Procurement Agency accomplished many activities in 2013 within the framework of discharging its supervisory, analytical, educational and information technologies introduction duties, of which activities we would like to lay particular emphasis on, are the following:

- **January 2013:** for procuring entities to further simplify and improve their state procurement reporting procedures the respective module (e-PLAN) was developed and integrated into the Ge-GP system to allow for electronic submission of state procurement annual plans;
- **January 2013:** for further simplification of consolidated tendering procedures – the model standard contract was drafted, which ensures the minimization of the risks of errors and mistakes and reduces the costs and expenses of the administrative resources;
- **January 2013:** the video lessons were recorded and made available on the official web-page of the CSPA dealing with issues like: registration in the system, participation in a tender, filling in an annual procurement plan, tender notice, etc.;
- **February 2013:** the use of tender notice option was restricted in cases when a procuring entity has no registered state procurement plan in e-PLAN module; also, the tender notice restriction option was extended to cases, when the plan does not provide for the CPV code the tender is announced for;
- **March 2013:** a new option was added to the System – “Selected Tenders” – enabling system users to mark a tender and add it to “Selected” ones, what allows them to follow the tenders they are interested in. Also the search field “Search My Tenders” was added to system filters. When using this filter a system user is able to easily find the necessary tender from the list of tenders where the former participated in any manner;
- **March 2013:** the streamlined electronic module of Dispute Resolution Board was added to the Ge-GP system, enabling any person, who believes that has sufficient ground for the appealing of a tender, to appeal it through pressing “Appeal Tender” button. As a result of the foregoing the new module of the Dispute Resolution Board promoted not only the better protection of the rights of tender participants, but also made the process of resolution of procurement related disputes more transparent;
- **April 2013:** the most common mistakes were identified during the review of registration documents for the entry into the White List. Respectively the recommendations on correct compiling the registration documents were published for suppliers willing to get registered with



the White List; also the recommendations on proceedings necessary for automatic prolongation of registration with the White List were published;

- **April 2013:** the recommendations on correct conduct of consolidated tendering procedures for the procurement of cellular telecommunication services were developed and published;
- **May 2013:** the consolidated tender for the procurement of cellular telecommunication service was held;
- **May 2013:** the consolidated tender for the procurement of standard PCs was held;
- **June 2013:** the new web-page of Transparency International – Georgia was launched based on data obtained from the Ge-GP-system of the Competition and State Procurement Agency- www.tendermonitor.ge. The web-page enables the public at large to easily search for state procurement related data for the survey and monitoring purposes;
- **June 2013:** the User Manual for Ge-GP system was updated and published on CSPA official web-page. It incorporated the definitions related to innovations introduced into the system. The definitions of contract statuses, electronic plan (e-PLAN), new appealing module and simplified procurement contract management report (CMR) were added to the User Manual;
- **July 2013:** the tender changes alert application was launched. Through this application the registered users of the Ge-GP system are informed via internal notices about any changes related to tenders they are interested in, specifically about questions asked during these tenders and answers to them, on disqualifications during the tendering procedures, on documents uploaded during a tender by a supplier or a procuring entity;
- **August 2013:** the SMS service was launched. The registered users of the Ge-GP system, procuring entities, as well as the suppliers receive information about any changes in their tenders via SMS messages together with internal notices;
- **August 2013:** Order N9 of the State Procurement Agency Chairman, dated 7 April, 2011, was updated. The amendments concerned: the terms and conditions for granting a status to a contract; the list of documents necessary for the registration in the System for procuring entities of certain legal form; contract term; the warning procedure for persons subject to registration in the Black List;
- **September 2013:** the prototype software for the concept of automation of monitoring processes and the Terms of Reference for software development were developed;



- **November 2013:** the option of authorization through Facebook was added to the Ge-GP system enabling any person to get authorization in the system through a Facebook account without registering in the system. As a result the following options and modules became available for users authorized through Facebook: “Tenders Today,” “CMR” module which includes contracts awarded through simplified tenders, and “e-PLAN” module, containing the annual procurement plans of all procuring entities;
- **November 2013:** the list of Frequently Asked Questions was published on the official web-page of the Competition and State Procurement Agency, exhibiting questions that are most frequently asked by users via the hotline and other departments of CSPA, and answers to them;
- **December 2013:** the recommendation was published for procuring entities regarding cases when there is a significant difference between the final price fixed in the system by a supplier and the estimated value;
- **December 2013:** the option of uploading an Excel document with regard to a number of procurement objects was added to the Ge-GP System;
- **December 2013:** the draft recommendation was prepared with regard to qualification requirements, specifically regarding supplier’s turnover requirement and technical knowledge/experience.



THE OUTCOMES

The Ge-GP system, launched by the Competition and State Procurement Agency on the first of December 2010, is widely recognized and valued. The CSPA ensured the introduction of transparent, non-discriminatory, fair and simple procurement system, which is continuously developing driven by the needs of its users. The system, where everyone sees everything is available on the official web-page of the Competition and State Procurement Agency www.procurement.gov.ge. The current Ge-GP system is multilingual (Georgian, English, Russian) and the information contained therein is accessible for any user. The main advantage of the system is its transparency and simplicity. Any person may gain access to:

- Annual procurement plans;
- Tender notices;
- Estimated value of the procurement;
- Tender documentation, any amendments and corrections made thereto, questions posted under tender documents and answers to them;
- Supplier proposals and their prices;
- Minutes of tender commission sessions and correspondence exchanged with the suppliers;
- Contracts awarded through e-tenders and simplified procurement procedures and amendments made thereto.

Due to system transparency, amongst its users are not only the direct counterparties to transactions – procuring entities and their suppliers, but also any other persons interested in state procurement.

The Ge-GP system provides not only for simple transactions during tendering proceedings, but also allows for using data, contained in the system for further perfection of business processes:

- The system enables procuring entities to search for important information about relevant for them markets, to view the outcomes of the tenders held by other procuring entities, to account for obtained information during the preparation of own tenders and publish tender notices and documents in the system through simple procedures;
- The system enables suppliers to analyze the demands of the public sector, specificity of state procurement market and procurement regulatory rules and procedures, in order to expand their

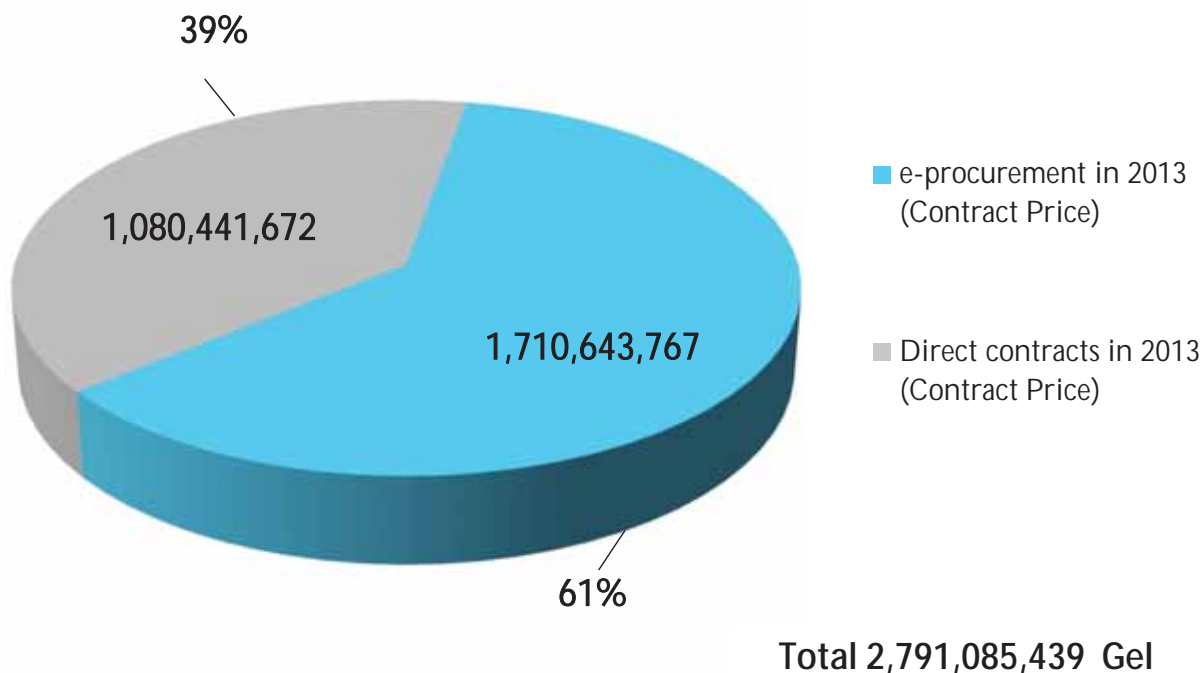


business processes and increase annual turnover through finding new market niches in the case of need.

Overall the net value of state procurement contracts amounted to GEL 2,791,085,439 in 2013, what makes approximately 10% of Gross Domestic Product. The contracts for GEL 1,710,643,767 were awarded through e-tenders¹.

DIAGRAM 1:

DISTRIBUTION OF ACCOMPLISHED STATE PROCUREMENTS TRANSACTIONS ACCORDING TO E-PROCUREMENT PROCEDURES AND DIRECT CONTRACTS



¹ The e-tenders include the electronic tenders accomplished through the Ge-GP system, simplified e-tenders, consolidated tenders and the contests announced on the official web-page of the CSPA.



Approximately 83% of the net value of contracts awarded through e-procurement procedures account for electronic and simplified electronic tenders, the net estimated value of which amounted to GEL 1,658,893,441 and contract value – to GEL 1,427,839,853. Respectively, more than GEL 230,000,000 was saved in 2013 through the Ge-GP system, what amounts to approximately 14% of net estimated value.

The distribution ratio of held tenders according to their number and value is different for different procurement objects. Quantitatively, approximately 55% of held tenders account for the procurement of goods, whilst the share of construction works amounts to 19% and that of services – to 26% (see Diagram 2). Unlike foregoing the construction works dominate from value point of view – the net estimated value of these works account for approximately 54% of the estimated value of all announced tenders; goods and services account for 29% and 17%, respectively. On average, the overall volume of tenders announced in construction field is 5 times more than those announced for goods and 4 times more than the volume of tenders announced for the procurement of services.

DIAGRAM 2:

QUANTITATIVE DISTRIBUTION OF e-TENDERS ACCORDING TO PROCUREMENT OBJECTS

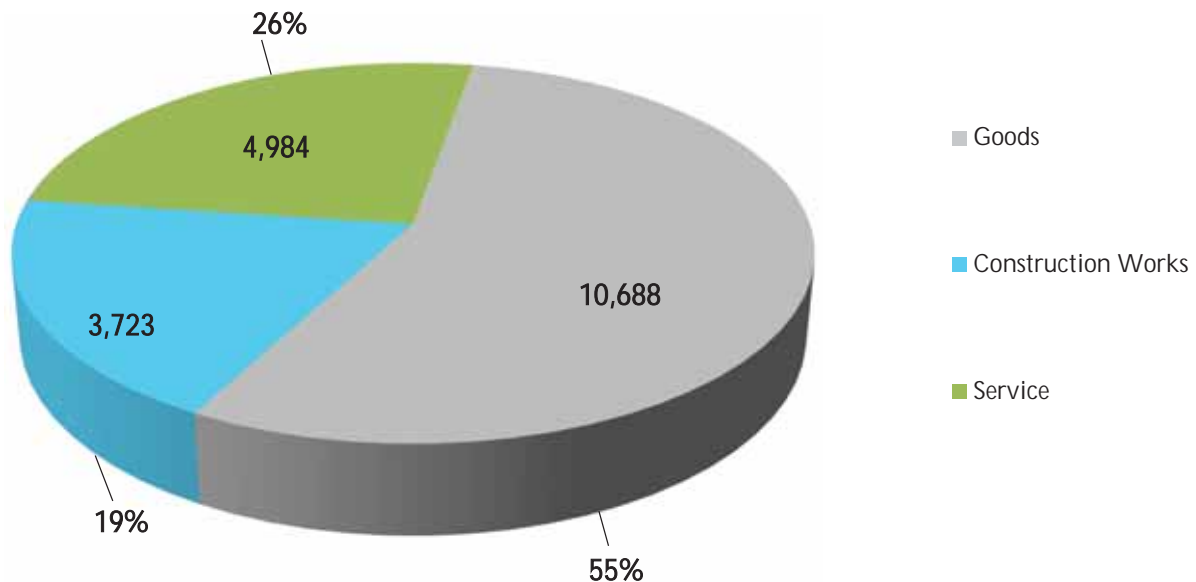
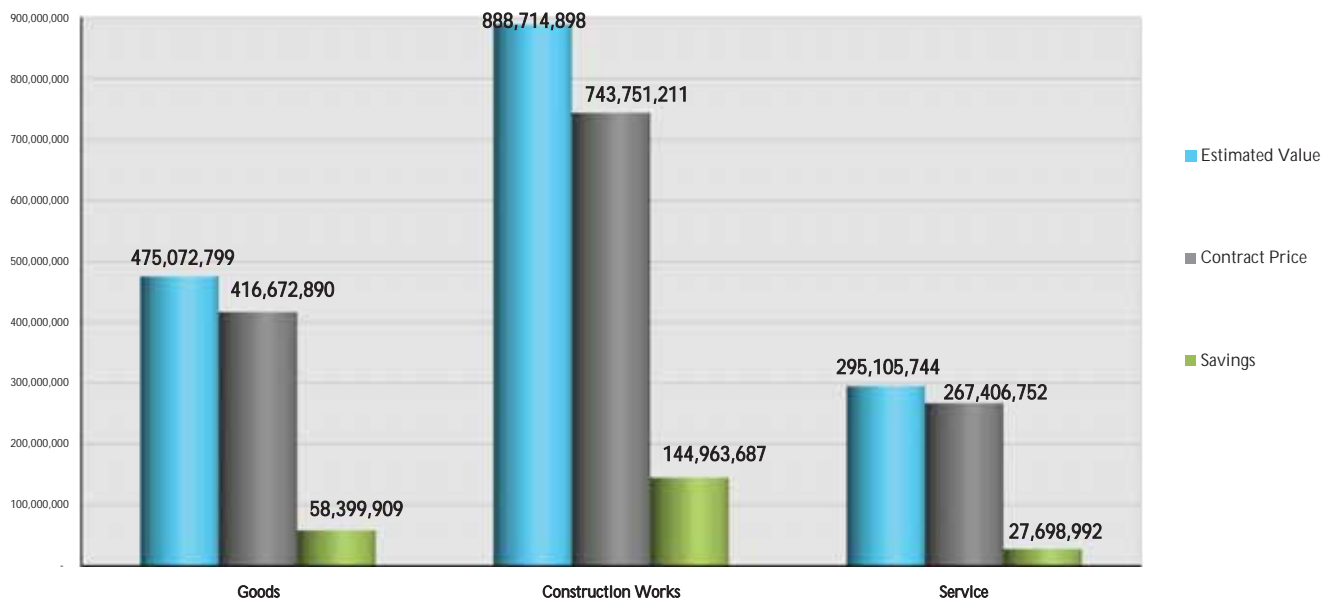



DIAGRAM 3: VALUE DISTRIBUTION OF e-TENDERS ACCORDING TO PROCUREMENT OBJECTS


	Number of e-tenders	Estimated Value	Contract Price	Savings
Goods	10,688	475,072,799	416,672,890	58,399,909
Construction works	3,723	888,714,898	743,751,211	144,963,687
Service	4,984	295,105,744	267,406,752	27,698,992
	19,395	1,658,893,441	1,427,830,853	231,062,588

Diagram 4 exhibits the number of tenders announced in the Ge-GP system according to months. The Diagram demonstrates, that the state procurement pace was quite stable during 2013, and was almost equal for separate months²:

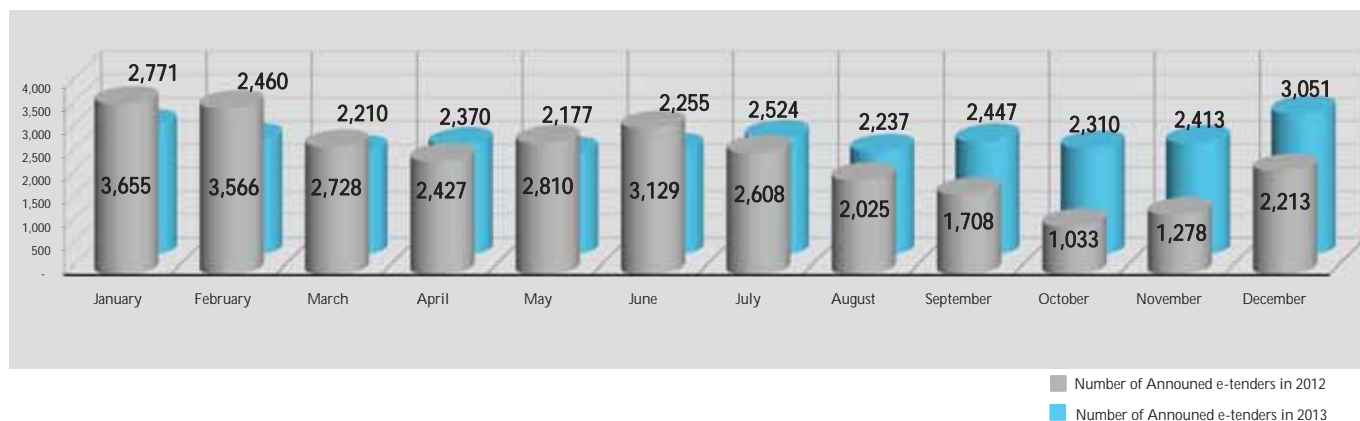
² The data contained in Diagram 4 depict only the amounts of electronic and simplified electronic tenders, the consolidated tenders, contests and electronic procurement procedure have not been accounted for.

In Diagrams 6 and 7, depicting tender statuses, the number of announced tenders exceeds the net amount of tenders with final statuses. The difference, which amounted to 978 by end of 2013 is the number of tenders, which had the interim status (e.g. "Selection-Evaluation") by the end of the year).



DIAGRAM 4:

NUMBER OF ANNOUNCED e-TENDERS DURING THE YEAR ACCORDING TO MONTHS



According to Diagram 5 most of the announced tenders are small ones, what makes state procurement available for small and medium-sized businesses. Similarly, according to data for 2012 the estimated value of approximately 80% of announced tenders was less than GEL 50,000.

DIAGRAM 5:

DISTRIBUTION OF ESTIMATED VALUE OF e-TENDERS

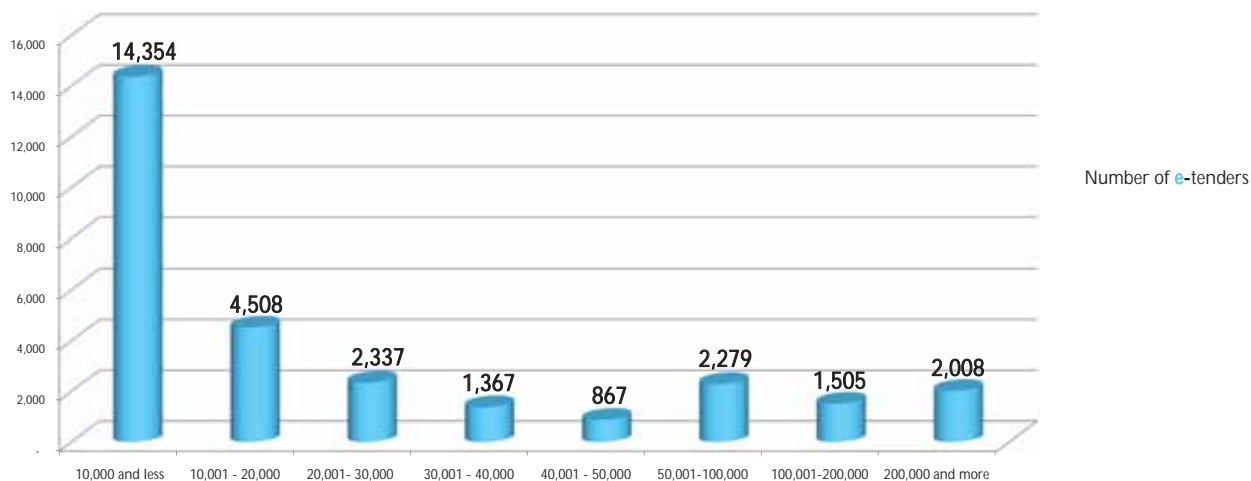
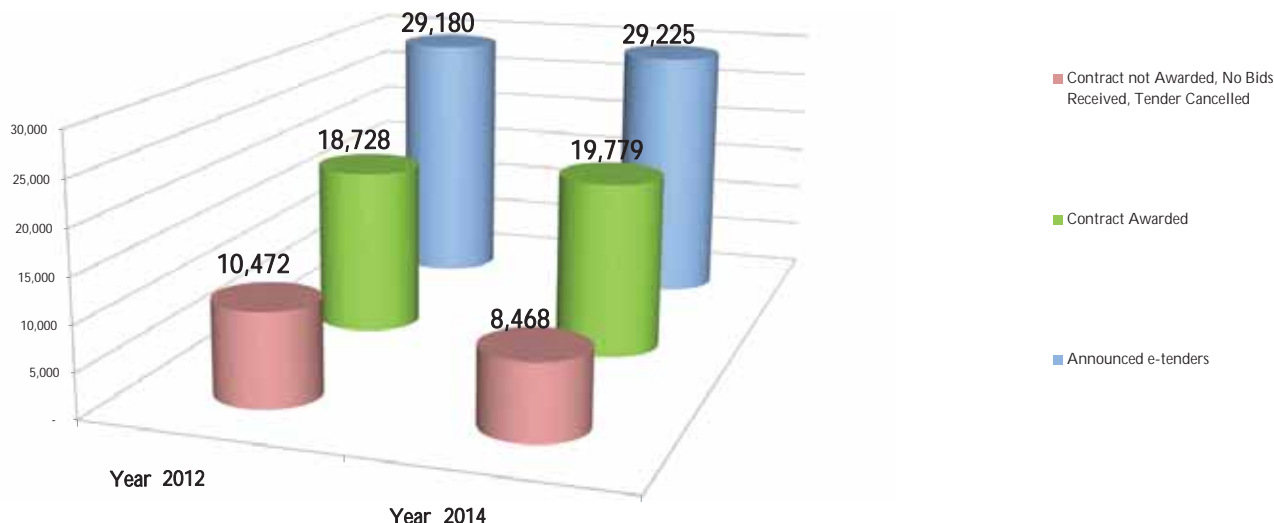




DIAGRAM 6:

NUMBER OF e-TENDERS ACCORDING TO STATUSES



According to final statuses the number of tenders granted with the status “Contract Awarded” increased by approximately 3.5 percent in 2013, as compared with 2012³.

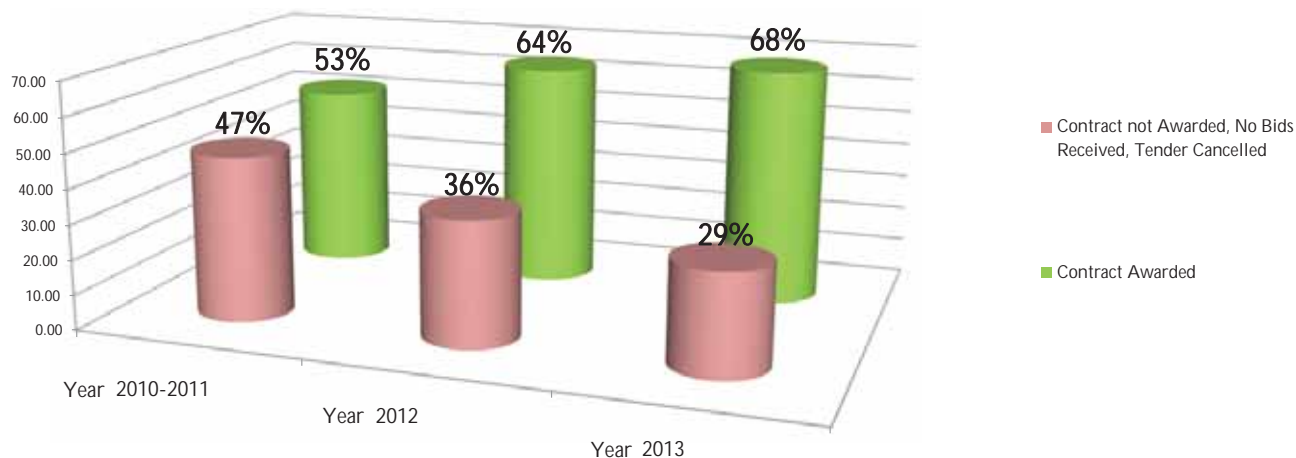
Diagram 7 evidences that the percentage of tenders, granted with the status “Contract Awarded” is increasing from year to year. The attention can be paid to the following progress-conditioning factor: the planning of tendering proceeding in a well-qualified manner by procuring entities has a positive impact on the reduction of the number of tenders with no bids, terminated or with no contracts awarded. Furthermore, the reduction of the share of tenders with the aforementioned statuses is positively affected by increasing interest of the private sector in state tenders. Irrespective of the aforementioned progress, the relatively high, 30% ratio of tenders with no bids, terminated or with no contracts awarded remains to be one of the major problems and requires more attention of procuring entities during the procurement planning phase and tender preparation early phase, as well as further enhancement of the system attractiveness by the CSPA and particularly, the development of procurement planning phase related recommendations/ guidelines.

³ In Diagrams 6 and 7, depicting tender statuses, the number of announced tenders exceeds the net amount of tenders with final statuses. The difference, which amounted to 978 by end of 2013 is the number of tenders, which had the interim status (e.g. “Selection-Evaluation”) by the end of the year).



DIAGRAM 7:

DISTRIBUTION OF STATUSES



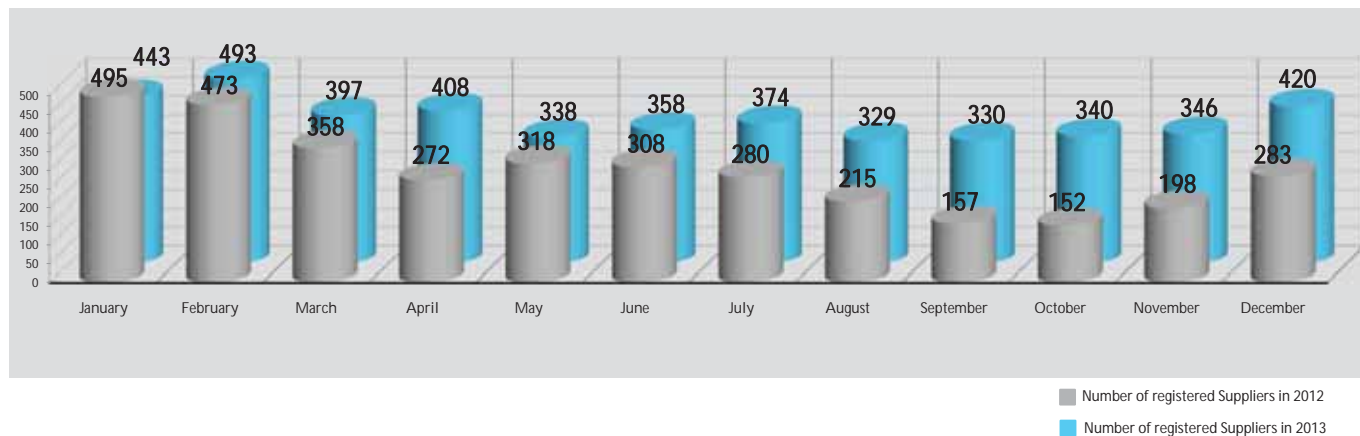
The number of the registered users of the system has further increased in 2013 as compared with the past few years, what is mainly conditioned by the registration of the new suppliers. Diagram 8 presents the dynamics of registration of the suppliers in the Ge-GP system, evidencing that the number of supplier registrations in 2013 has considerably increased as compared with 2012. In 2013 total 4,576 new suppliers joined the system, what exceeded similar showing for 2012 by 30%.

Unlike the radical increase of the number of suppliers the growth of the number of procuring entities is relatively insignificant. In 2013 about 350 procuring entities joined the system, what is less than 10% of entities registered by the end of the year. This means, that as of to date, the process of registration of active procuring entities is practically coming to an end and the system almost fully reflects the activities of the operating procuring entities across the whole country. With the exception of persons with the “Guest” status, the number of registered users of the Ge-GP system exceeded 20,000 by the end of 2013.



DIAGRAM 8:

DYNAMICS OF SUPPLIER REGISTRATIONS IN THE GE-GP SYSTEM



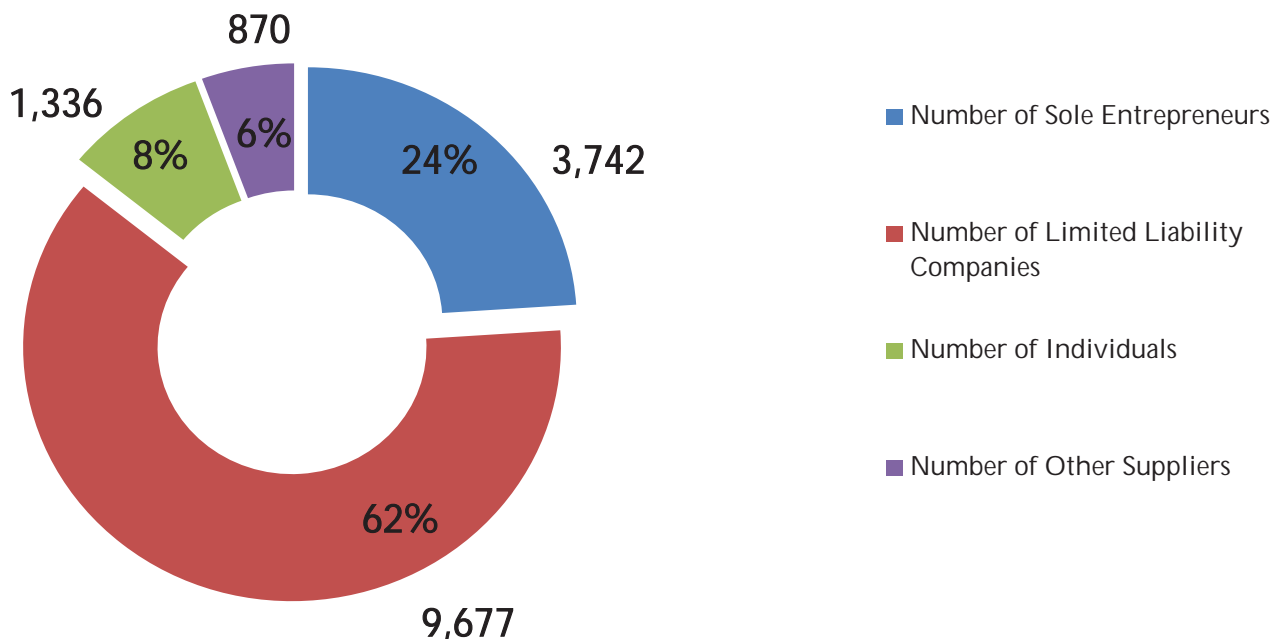
Similar to 2012, the correlation between the numbers of announced tenders and supplier registrations is notable in 2013 as well (see Diagrams 4 and 8). This means, that the private sector actively keeps an eye on announced tenders under the “Guest” status on the one hand and on the other – there is a certain communication and exchange of information about the new possibilities generated by the Ge-GP system.

The distribution of suppliers registered in the system according to their legal form is given in Diagram 9, according to which the majority of system users are the limited liability companies and sole entrepreneurs.



DIAGRAM 9:

DISTRIBUTION OF SUPPLIERS ACCORDING TO LEGAL FORMS



In 2013 the number of limited liability companies registered in the system increased from 6,893 to 9,677, what makes 16% of operating limited liability companies of the country. The number of sole entrepreneurs increased from 2,800 to 3,742. This figure amounts to about 2.6% of sole entrepreneurs operating in the country. By the end of the year, about 0.75% of all the entrepreneur natural persons (1,336 persons) of the country were the users of the Ge-GP system.

As of to date the operating languages of the Ge-GP system are: Georgian, English and Russian. The System User Manual, as well as procurement relevant legal and sublegal acts are published both in Georgian and English languages on the official web-page of the CSPA. The System integrates the classifier of procurement objects, developed by the European Union, which simplifies tender identification for foreign companies. As a result, by the end of 2013 the number of foreign companies registered in the system exceeded 300. The distribution of foreign companies according to countries is given below, in Diagram 10.



DIAGRAM 10:

DISTRIBUTION OF NONRESIDENT SUPPLIERS ACCORDING TO FOREIGN COUNTIES

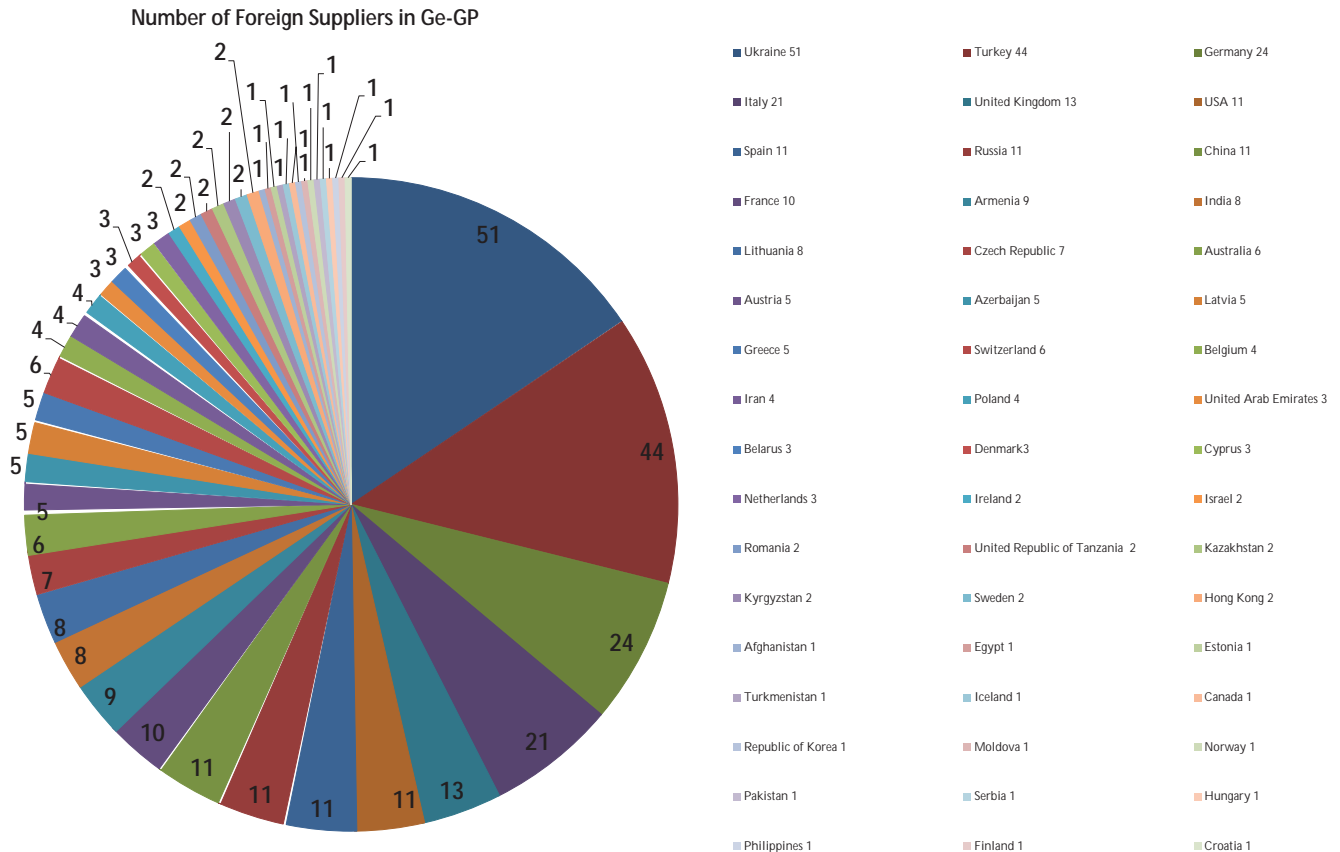


Diagram 11 shows that total 26 contracts were awarded to nonresident suppliers in 2013, the net value of which contracts amounted to GEL 15,889,319. The average value of a contract awarded to a foreign company exceeds GEL 600,000. Insofar as the majority of tenders are of small volume in Georgia and are less attractive for foreign companies, the net value of contracts awarded to nonresident suppliers through e-tenders amounted to 1.6% of the value of contracts awarded during 2012. The same index for 2013 totaled 1.14%.

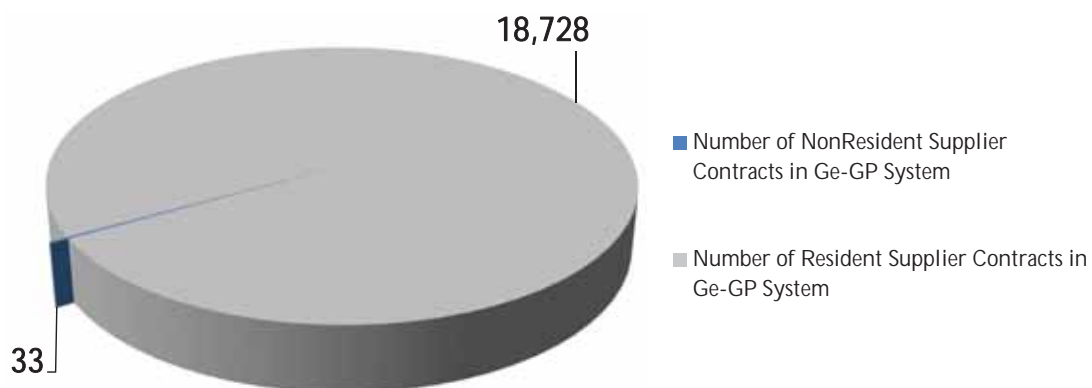
The Ge-GP system demonstrates that foreign companies are mainly interested in construction field, car building industry and pharmaceutical products.



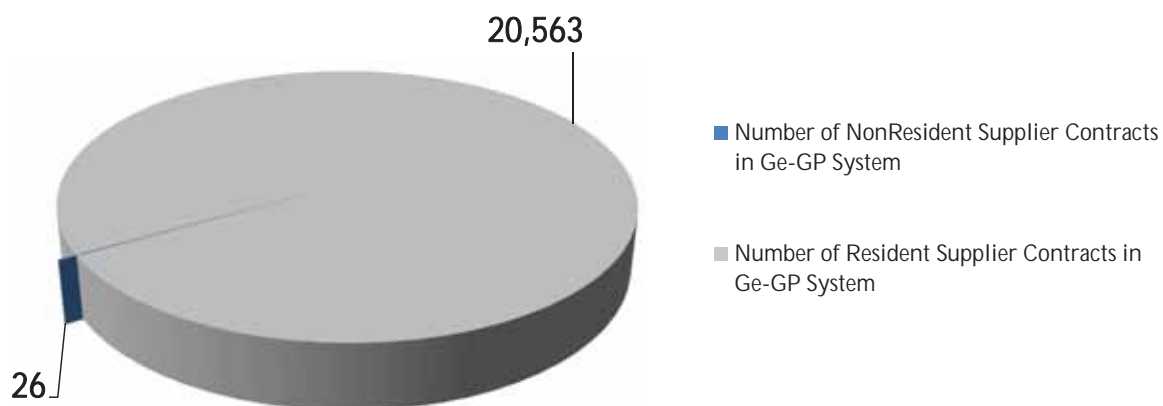
DIAGRAM 11:

CONTRACTS AWARDED TO NONRESIDENT SUPPLIERS

Year 2012

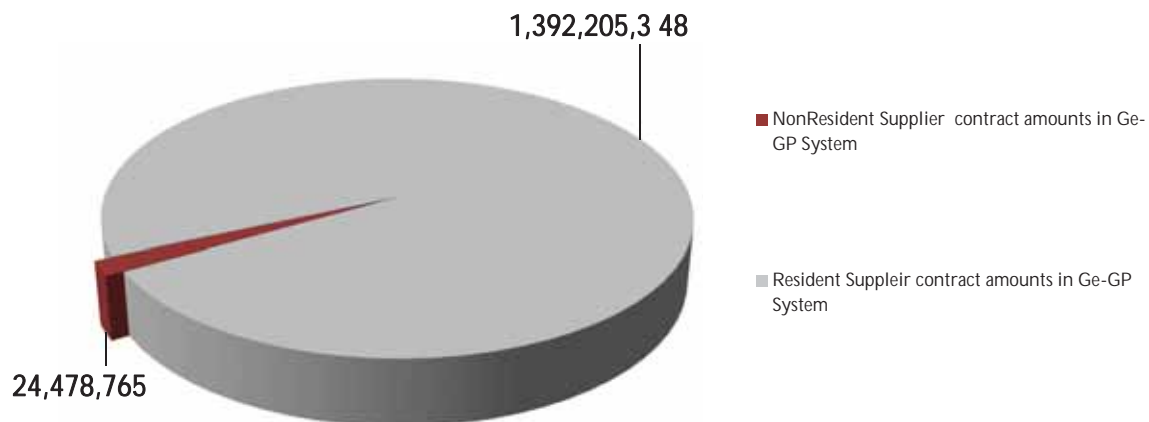


Year 2013

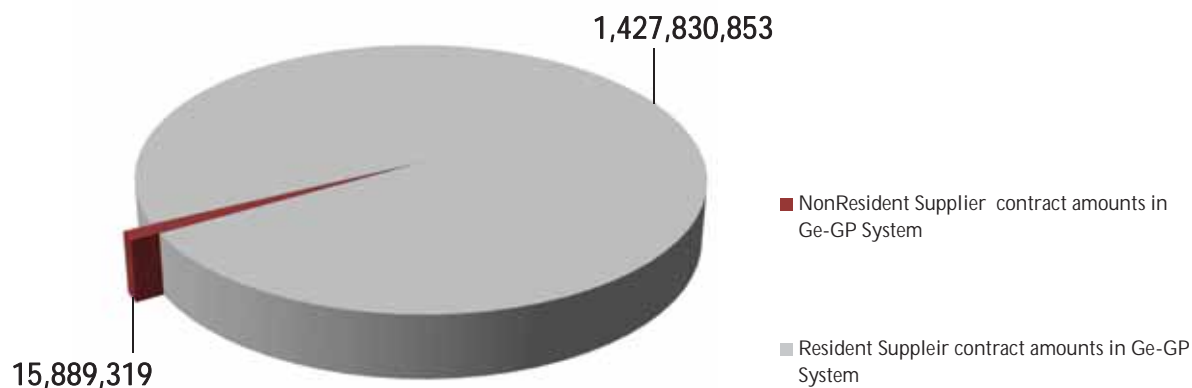




Year 2012



Year 2013





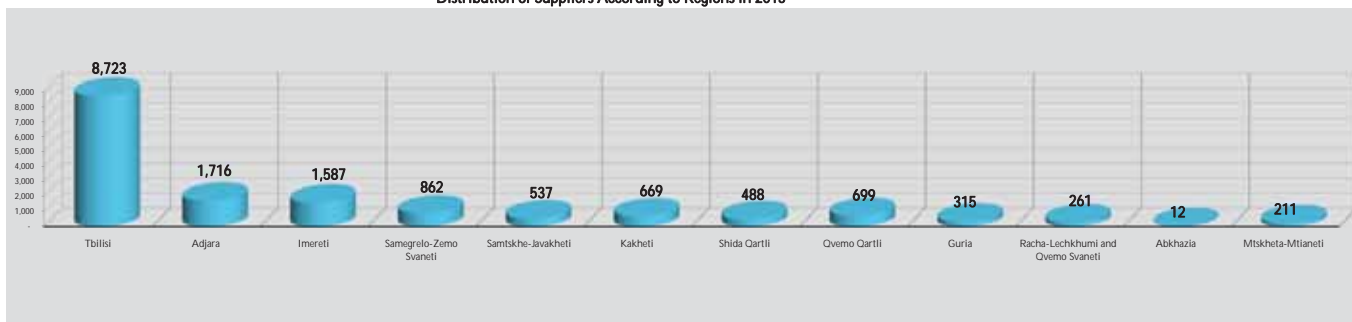
The users of certain legal form operate within the System under the status of both procuring entities and suppliers. The majority of such users are the enterprises with more than 50% share participation of the state or local administration. During 2013 total 428 enterprises with 50% share participation of the state announced 4,666 tenders through the system. As a result the contacts of GEL 162,689,550 of net value were awarded. Furthermore, 161 users of the mentioned type operated under supplier's status within the system, and were awarded contracts of GEL 88,720,400 of net value.

By the end of 2013 total 16,447 suppliers were registered in the system. Tbilisi is the leader according regional distribution of suppliers. The capital accounts for 53% of registered suppliers of the system, to whom 70% of contracts were awarded in 2013. The contracts awarded to suppliers registered in Tbilisi amounted to 74% of the net contract value (see Diagram 12 and 13), this means that the suppliers registered in the regions of Georgia are less competitive than those registered in Tbilisi.

DIAGRAM 12:

DISTRIBUTION OF SUPPLIERS ACCORDING TO REGIONS

Distribution of Suppliers According to Regions In 2013



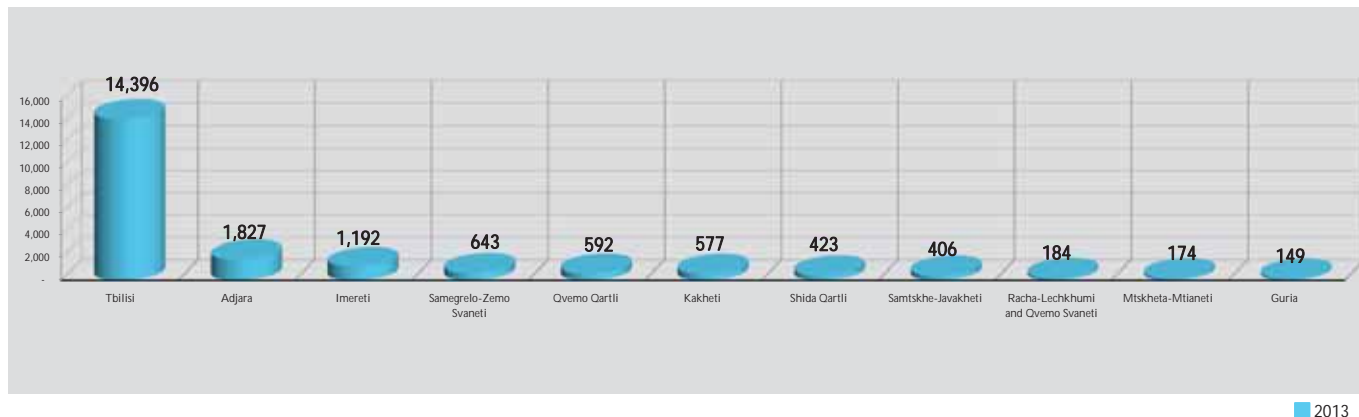
2013



DIAGRAM 13:

CONTRACTS AWARDED TO REGIONAL SUPPLIERS

Number of Suppliers Contracts by Regions In 2013



In 2013, as compared with 2012, the level of competition in state tenders increased by 15%. In 2012 the average number of bidders in a tender amounted to 1.75, the same figure was more than 2 (2.01) in 2013. Diagram 14 demonstrates that in certain CPV groups the average number of bidders was more than three. According to average index of bidders one of the leading fields is the construction sector, which, as already mentioned, is the leader on the state procurement market according to contract value as well. The average number of bidders is correlated with recorded economy: 16.3% savings were recorded in tenders held for the procurement of construction works in 2013, which index amounted to 12.3% and 9.4% in the case of the procurement of goods and services, respectively (see Diagram 3).

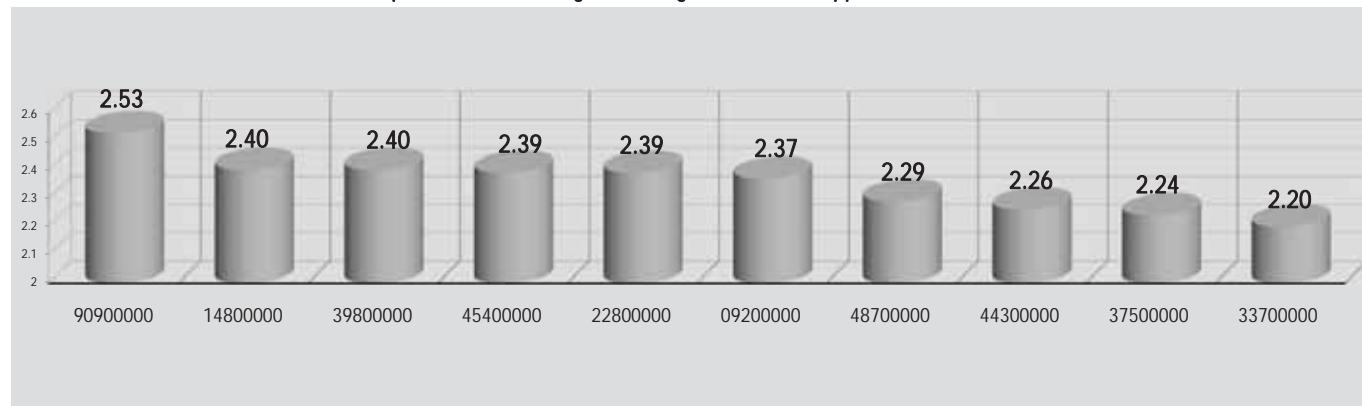


DIAGRAM 14:

TOP 10 PROCUREMENT CATEGORIES ACCORDING TO AVERAGE NUMBER OF SUPPLIERS

2012

Top 10 CPV According To Average Number of Suppliers in 2012



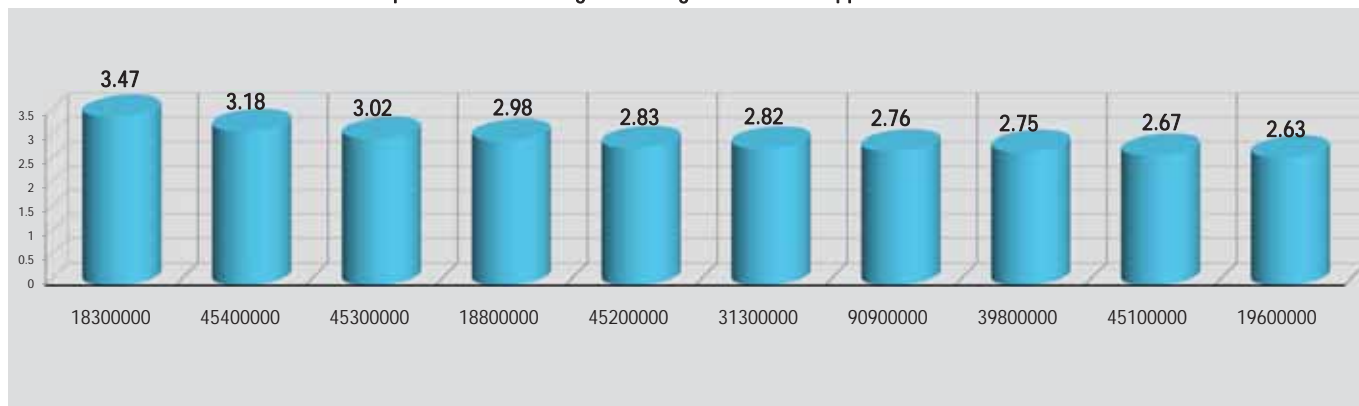
2012

	CPV Code	Number of e-tenders	Number of Suppliers	Ave. Number of Suppliers	Savings
1	90900000- Cleaning and sanitation services	219	555	2.53	2,434,292
2	14800000-Miscellaneous non-metallic mineral products	5	12	2.40	12,923
3	39800000-Cleaning and polishing products	82	197	2.40	239,157
4	45400000-Building completion work	1,379	3,295	2.39	16,407,804
5	22800000-Paper or paperboard registers, account books, binders, forms and other articles of printed stationery	159	380	2.39	505,125
6	09200000-Petroleum, coal and oil products	70	166	2.37	404,205
7	48700000-Software package utilities	28	64	2.29	112,026
8	44300000-Cable, wire and related products	34	77	2.26	114,102
9	37500000-Games and toys; fairground amusements	29	65	2.24	749,083
10	33700000-Personal care products	91	202	2.20	541,210
	Total	2,096	5,013		21,519,927



2013

Top 10 CPV According To Average Number of Suppliers in 2013



2013

	CPV Code	Number of e-tenders	Number of Suppliers	Ave. Number of Suppliers	Savings
1	18300000- Garments	34	118	3.47	440,615
2	45400000- Building completion work	957	3,045	3.18	21,919,895
3	45300000- Building installation work	526	1,591	3.02	13,148,190
4	18800000- Footwear	48	143	2.98	1,430,286
5	45200000- Works for complete or part construction and civil engineering work	2,076	5,867	2.83	104,954,827
6	31300000- Insulated wire and cable	45	127	2.82	185,944
7	90900000- Cleaning and sanitation services	185	511	2.76	2,094,628
8	39800000- Cleaning and polishing products	97	267	2.75	399,315
9	45100000- Site preparation work	164	438	2.67	4,940,775
10	19600000-Leather, textile, rubber and plastic waste	8	21	2.63	23,420
	Total	4,140	12,128		149,537,895

High share of tenders held in construction sector and gained economy mean that this is the field with the highest level of savings (according to absolute indexes) (see Diagram 15).

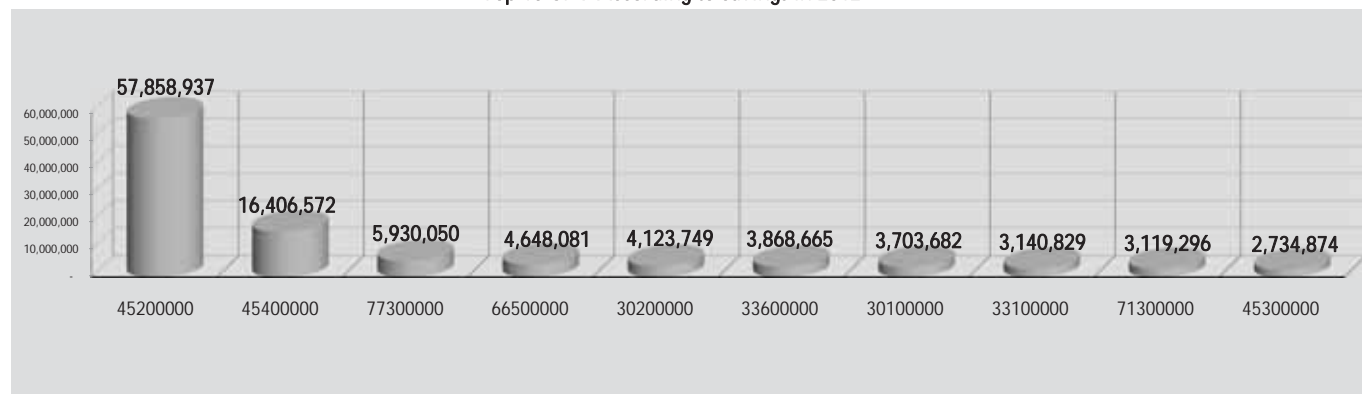


DIAGRAM 15:

TOP 10 CPV ACCORDING TO SAVINGS

2012

Top 10 CPV According to Savings in 2012



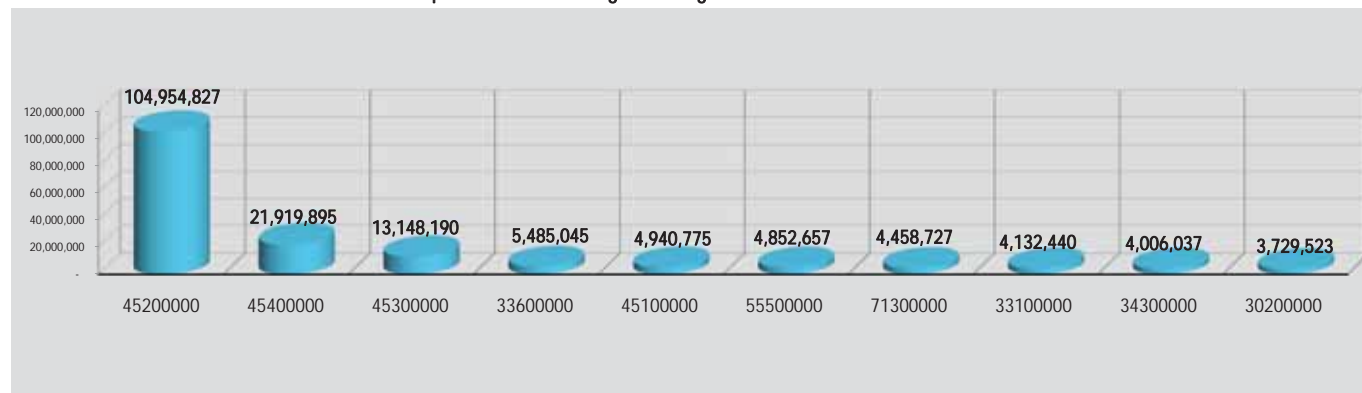
2012

	CPV Code	Estimated Value	Contact Price	Savings	%
1	45200000- Works for complete or part construction and civil engineering work	617,661,689	559,802,752	57,858,937	9
2	45400000- Building completion work	109,944,385	93,537,813	16,406,572	15
3	77300000- Horticultural services	22,499,500	16,569,450	5,930,050	26
4	66500000- Insurance and pension services	25,892,151	21,244,070	4,648,081	18
5	30200000- Computer equipment and supplies	30,093,330	25,969,581	4,123,749	14
6	33600000- Pharmaceutical products	23,497,910	19,629,245	3,868,665	16
7	30100000- Office machinery, equipment and supplies except computers, printers and furniture	17,183,414	13,479,732	3,703,682	22
8	33100000- Medical equipments	21,650,039	18,509,210	3,140,829	15
9	71300000-Engineering services	14,995,600	11,876,304	3,119,296	21
10	45300000- Building installation work	22,539,505	19,804,631	2,734,874	12
	Total	905,957,523	800,422,788	105,534,735	12



2013

Top 10 CPV According to Savings in 2013



2013

	CPV Code	Estimated Value	Contact Price	Savings	%
1	45200000- Works for complete or part construction and civil engineering work	711,952,476	606,997,649	104,954,827	15
2	45400000- Building completion work	106,392,495	84,472,600	21,919,895	21
3	45300000- Building installation work	50,541,038	37,392,848	13,148,190	26
4	33600000- Pharmaceutical products	34,055,030	28,569,985	5,485,045	16
5	45100000- Site preparation work	19,828,889	14,888,114	4,940,775	25
6	55500000- Canteen and catering services	39,990,933	35,138,276	4,852,657	12
7	71300000- Engineering services	16,218,900	11,760,173	4,458,727	27
8	33100000- Medical equipments	32,870,848	28,738,408	4,132,440	13
9	34300000-Parts and accessories for vehicles and their engines	22,234,241	18,228,204	4,006,037	18
10	30200000- Computer equipment and supplies	48,468,770	44,739,247	3,729,523	8
	Total	1,082,553,620	910,925,504	171,628,116	16

Diagram 16 presents procuring entities which announce tenders most frequently.

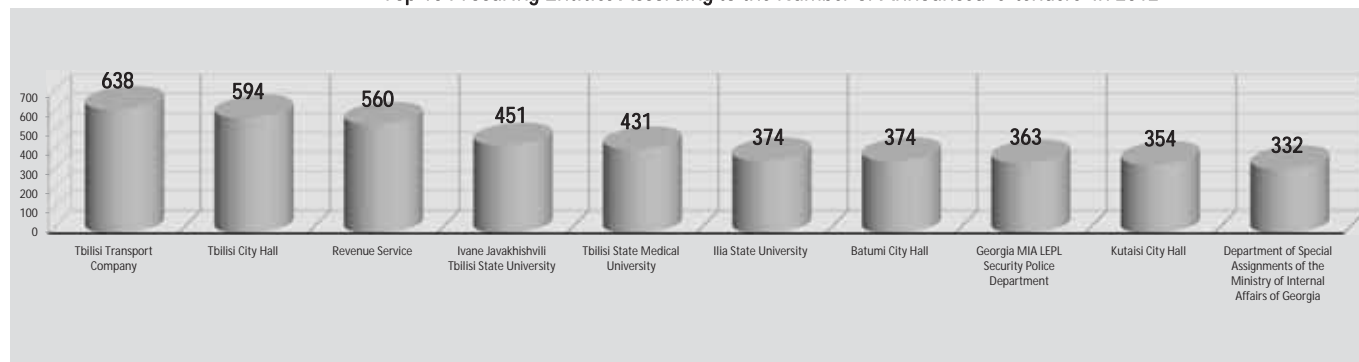


DIAGRAM 16:

TOP 10 PROCURING ENTITIES ACCORDING TO THE NUMBER OF ANNOUNCED e-TENDERS

2012

Top 10 Procuring Entities According to the Number of Announced e-tenders in 2012



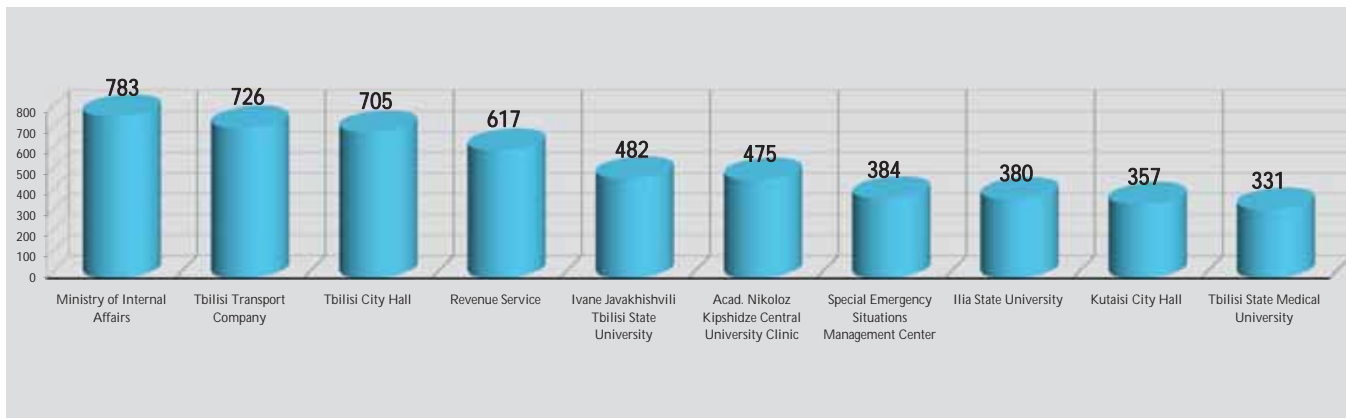
2012

	Procuring Entities	Number of Announced e-tenders	Estimated Value
1	Tbilisi Transport Company	638	55,530,928
2	Tbilisi City Hall	594	185,882,453
3	Revenue Service	560	64,809,147
4	Ivane Javakhishvili Tbilisi State University	451	5,988,139
5	Tbilisi State Medical University	431	5,075,523
6	Ilia State University	374	10,897,251
7	Batumi City Hall	374	97,147,338
8	Georgia MIA LEPL Security Police Department	363	13,976,002
9	Kutaisi City Hall	354	31,724,852
10	Department of Special Assignments of the Ministry of Internal Affairs of Georgia	332	21,662,096
	Total	4,471	492,693,729



2013

Top 10 Procuring Entities According to the Number of Announced e-tenders in 2013



2013

	Procuring Entities	Number of Announced e-tenders	Estimated Value
1	Ministry of Internal Affairs	783	89,500,794
2	Tbilisi Transport Company	726	46,027,588
3	Tbilisi City Hall	705	324,052,372
4	Revenue Service	617	56,912,752
5	Ivane Javakhishvili Tbilisi State University	482	6,040,836
6	Acad. Nikoloz Kipshidze Central University Clinic	475	16,767,572
7	Special Emergency Situations Management Center	384	21,331,442
8	Ilia State University	380	6,682,884
9	Kutaisi City Hall	357	31,206,748
10	Tbilisi State Medical University	331	5,413,111
	Total	5,240	603,936,099

Similar to 2012, there were tenders in 2013 as well where the number of suppliers exceeded 20.

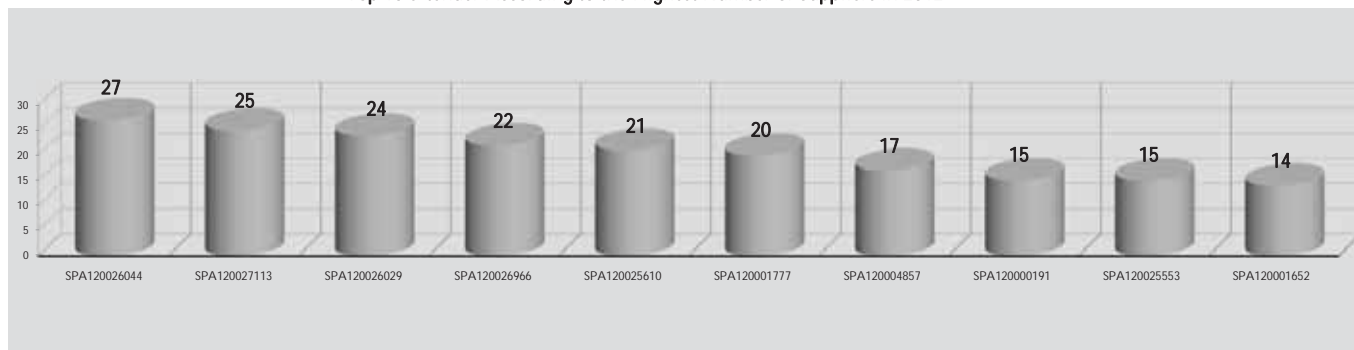


DIAGRAM 17:

TOP 10 e-TENDERS IN 2012–2013 ACCORDING TO THE NUMBER OF SUPPLIERS

2012

Top 10 e-tender According to the Highest Number of Suppliers in 2012



2012

	Number of e-tender	Number of suppliers	Estimated Value	Contract Price	Savings	%
1	SPA120026044	27	1,449,000	949,500	499,500	34
2	SPA120027113	25	20,180	8,789	11,391	56
3	SPA120026029	24	30,372	14,998	15,374	51
4	SPA120026966	22	16,000	8,297	7,703	48
5	SPA120025610	21	242,900	159,800	83,100	34
6	SPA120001777	20	17,222	8,699	8,523	49
7	SPA120004857	17	468,592	221,999	246,593	53
8	SPA120000191	15	102,349	67,000	35,349	35
9	SPA120025553	15	47,980	28,222	19,758	41
10	SPA120001652	14	98,300	49,000	49,300	50
	Total		2,492,895	1,516,304	976,591	39



2013 წელი

Top 10 e-tender According to the Highest Number of Suppliers in 2013



2013

	Number of e-tender	Number of suppliers	Estimated Value	Contract Price	Savings	%
1	SPA130000892	34	28,000	8,650	19,350	69
2	SPA130002992	25	185,000	77,776	107,224	58
3	SPA130002283	23	92,300	37,399	54,901	59
4	SPA130026518	22	1,007,574	609,979	397,595	39
5	SPA130003701	21	452,737	347,077	105,660	23
6	SPA130002397	20	1,500,000	1,050,000	450,000	30
7	SPA130027185	20	586,400	279,985	306,415	52
8	SPA130002183	19	848,700	349,000	499,700	59
9	SPA130004423	19	397,140	210,500	186,640	47
10	SPA130004443	19	1,800,000	970,000	830,000	46
	Total		6,897,851	3,940,366	2,957,485	43

In 2013 average 42.9% economy was recorded with regard to top-10 tenders of this type what considerably exceeds the regular index. This situation speaks for the potential of improvement of procurement planning phase by procuring entities on the one hand (during which phase it is necessary to conduct the market survey, to determine the estimated value of various alternatives for the satisfaction of demand, to identify the best alternative and to develop relevant specifications) and on the other, the possibility of the Ge-GP system to bring the bid price of procurement object under tender documentation to its actual market index in most cases.



THE WHITE AND BLACK LISTS

The White List is the register of qualified suppliers – the participation in state procurement procedures is further simplified for the suppliers registered therein, specifically:

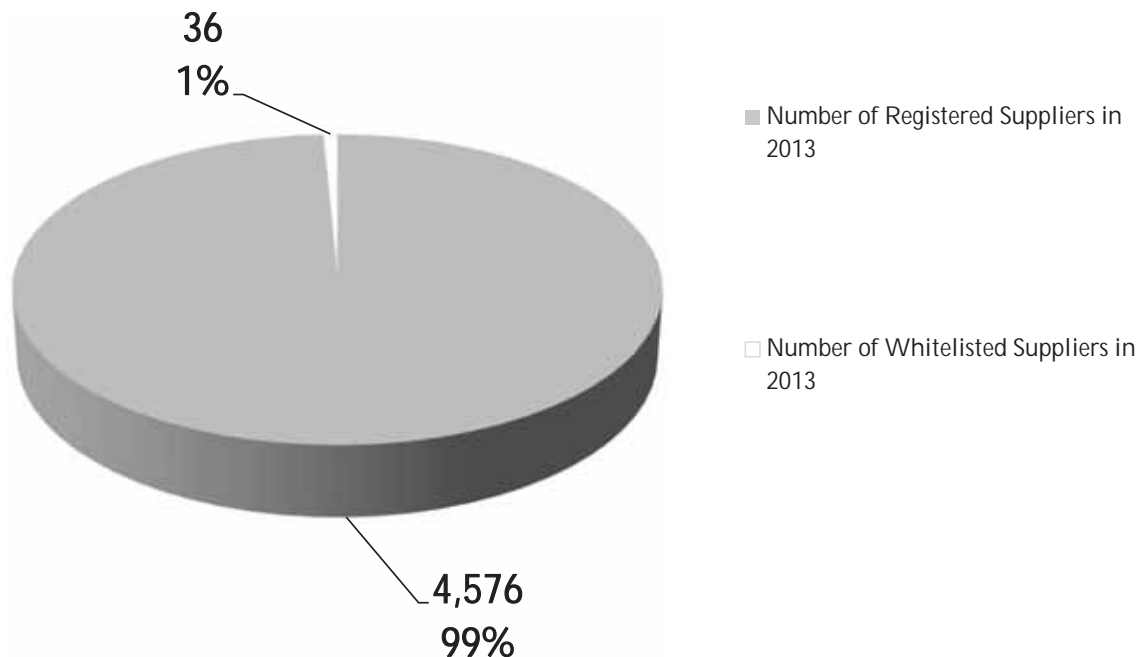
- When participating in a tender a supplier registered with the White List is exempted from the obligation to submit the qualification documents (excerpt from Public Register, a statement on the absence of any indebtedness with the Budget, a court statement on the absence of any bankruptcy proceedings, etc.);
- In the case of advance payment a supplier registered with the White List provides a procuring entity with a guarantee for half amount of the advance payment (instead of the guarantee for the whole amount payable in advance);
- Under the decision of a procuring entity a supplier registered with the White List may be exempted from the obligation to submit a contract security guarantee.

The White List membership accentuates the reliability, bona fides and high prestige of the suppliers. Following the revision of the most common errors made during the submission of registration document, the CSPA published relevant recommendations in 2013. As a result the procedure of maintenance of the White List was further improved. Total 36 suppliers were registered with info White List in 2013.



DIAGRAM 18:

NUMBER OF WHITE-LISTED SUPPLIERS

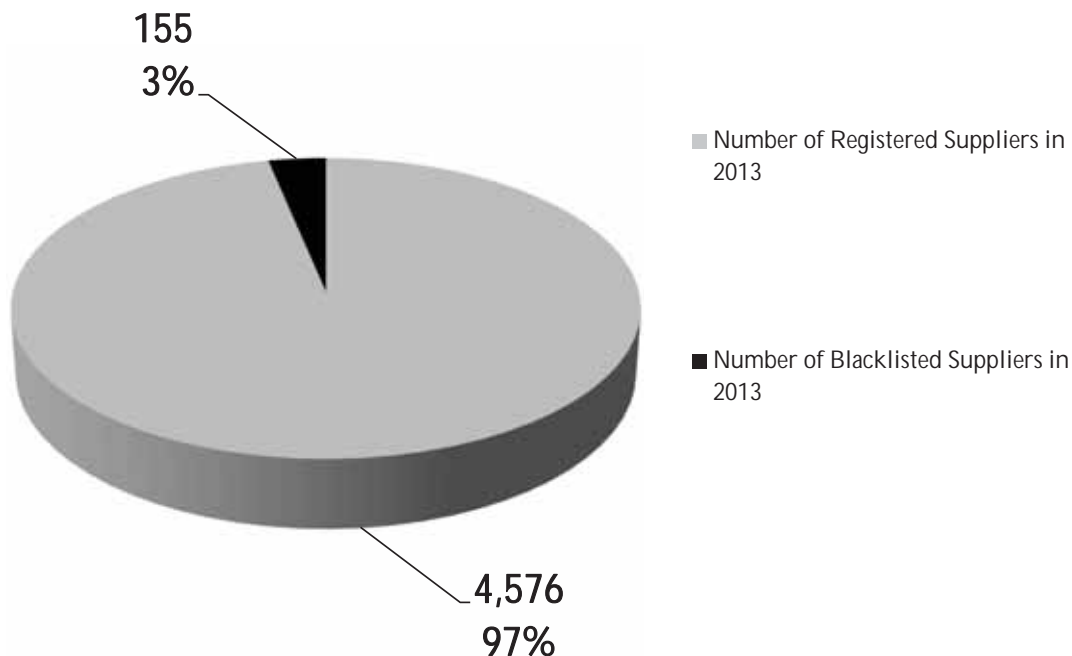


The Competition and State Procurement Agency is maintaining the Black List as well. The suppliers entered into the Black List are prohibited from the participation in state procurement proceedings for a period of one year. The register is integrated into the Ge-GP system, what excludes the possibility of participation of Black-listed suppliers in tenders. Total 155 were entered into the Black List in 2013.



DIAGRAM 19:

NUMBER OF BLACK-LISTED SUPPLIERS



The data concerning the White and Black Listed suppliers are available on the official webpage of the CSPA www.procurement.gov.ge.

CONTESTS

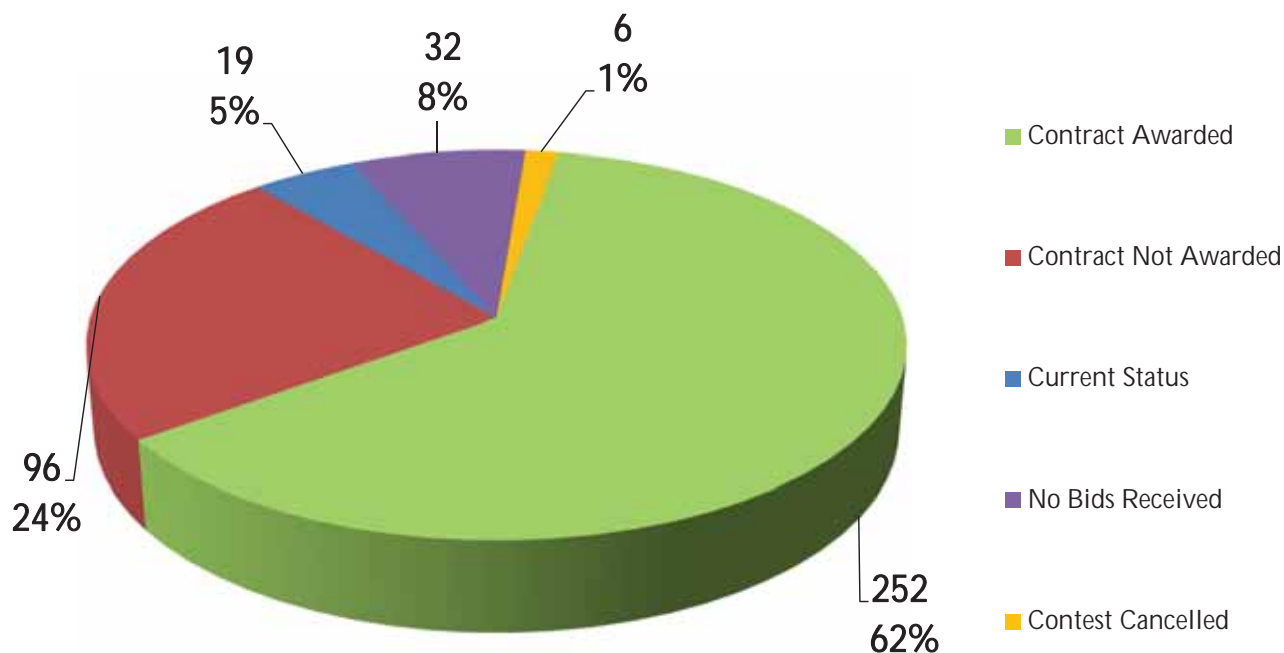
A contest is an alternative to a tender mean of procurement. A design service of any type or content can be procured through a contest. This mean of procurement is an important precondition for the public sector to introduce innovations.

Any contest related information or document is published on the official web-page of the CSPA and is available for any interested person. Total 405 contests were announced in 2013, their statuses being shown in diagram 20.



DIAGRAM 20:

CONTESTS HELD IN 2013 ACCORDING TO STATUSES



Total 405 Contests announced in 2013

DISPUTE RESOLUTION BOARD

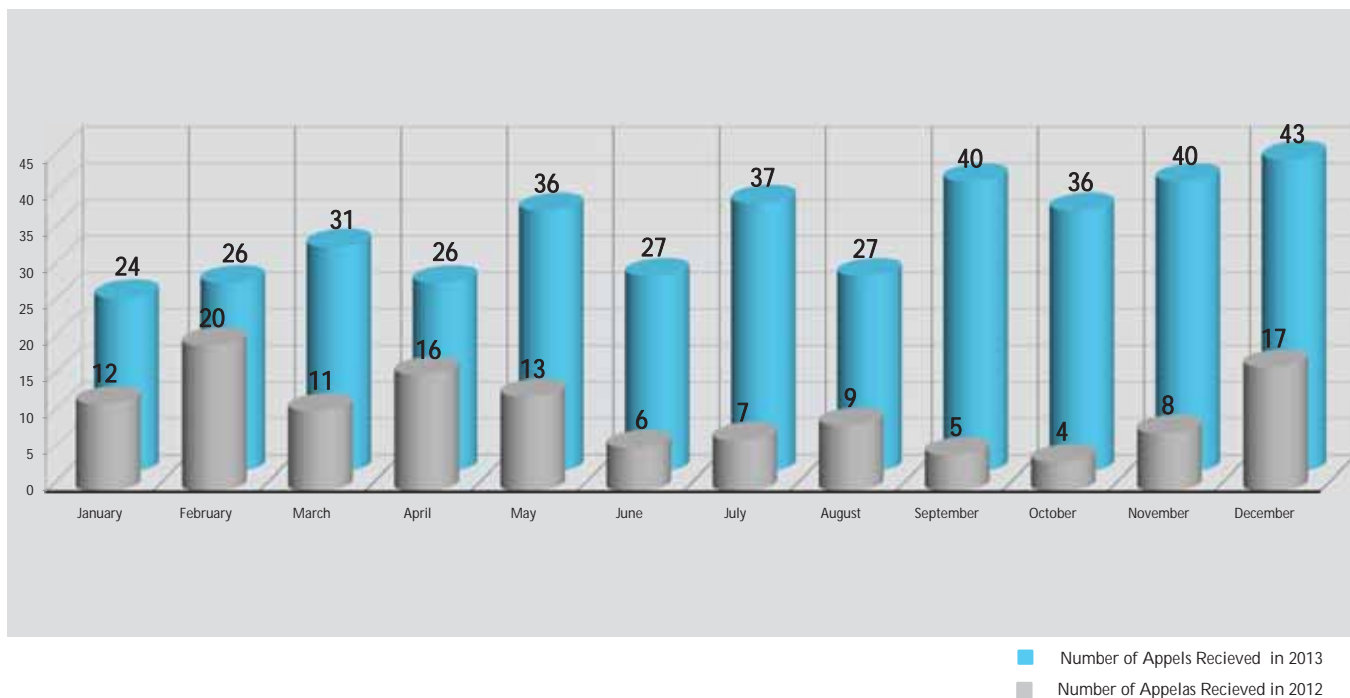
Since 10 December 2010 the board for the resolution of procurement related disputes has been operating within the State Procurement Agency, the streamlined electronic module of board was added to the Ge-GP system in March 2013. As of to date any tender can be appealed for a period of 10 working days by pushing a single button. During the mentioned 10-days period the appeal is being reviewed and the outcomes are uploaded into the system by the Board, consisting of 6 members. The Board is staffed with the representatives of the CSPA and civil society on a parity principle.

The number of appeals reviewed by electronic Dispute Resolution Board (hereafter e-DRB) has significantly increased from the date of its setting up. There have been reviewed only 67 appeals in 2011, whilst in 2013 their number totaled 393 (see Diagram 21).



DIAGRAM 21:

NUMBER OF APPEALS FILED WITH THE DISPUTE RESOLUTION BOARD



The e-DRB not only assists the participants of procurement proceedings in the protection of their rights, but also provides for quick, impartial and efficient decisions, makes the procurement process more transparent and guarantees systemic prevention of corruption.

The quantitative statistics of statuses granted to filed with the e-DRB appeals are given in Diagram 22. Diagram 23 presents 10 CPV groups, with the highest number of appeals filed with regard to announced tenders. Similar to regional distribution of registered users, the majority of appellants are the entities registered in Tbilisi (see Diagram 24)



DIAGRAM 22:

APPEALS FILED WITH DISPUTE RESOLUTION BOARD ACCORDING TO STATUSES

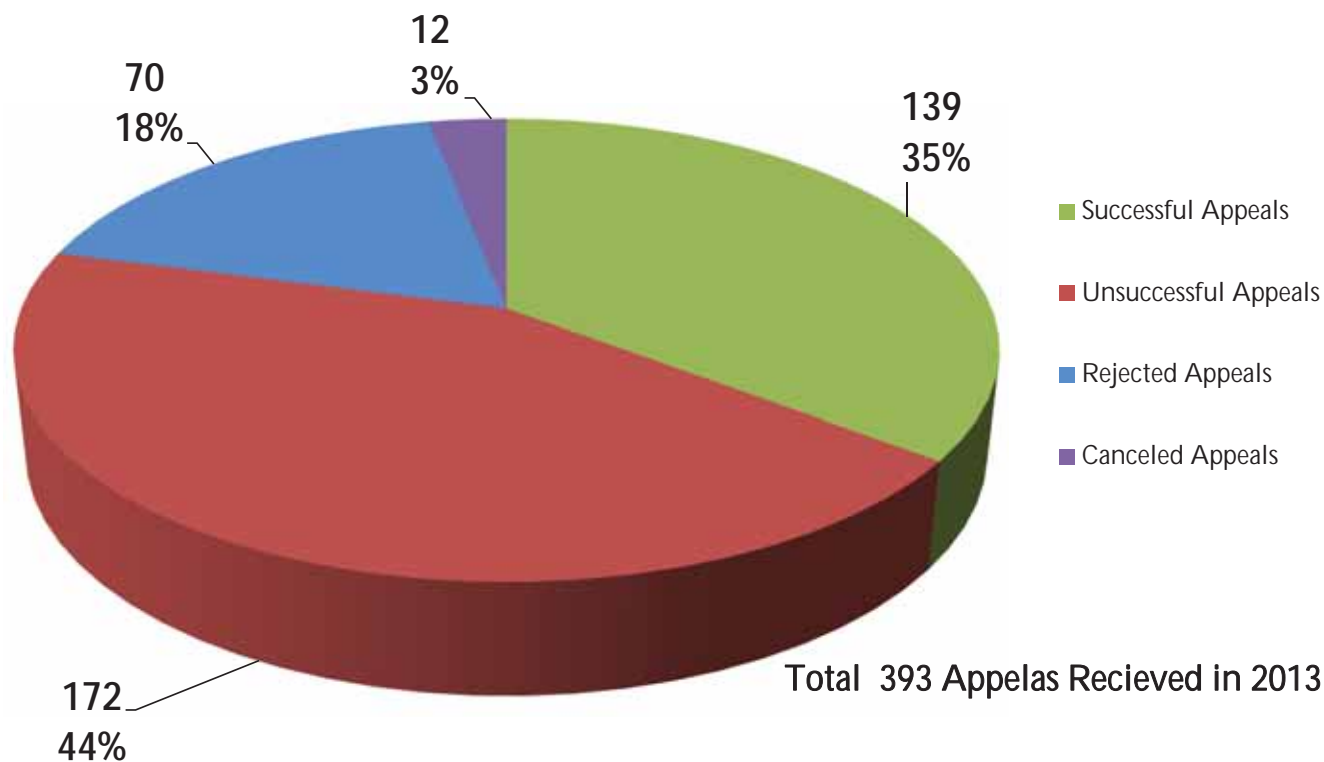
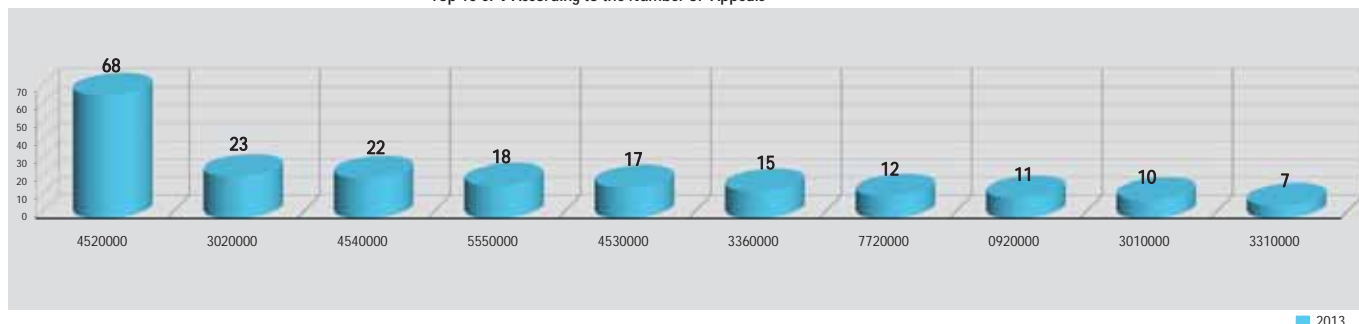


DIAGRAM 23:

FILED APPEALS ACCORDIND TO CPV

Top 10 CPV According to the Number of Appeals

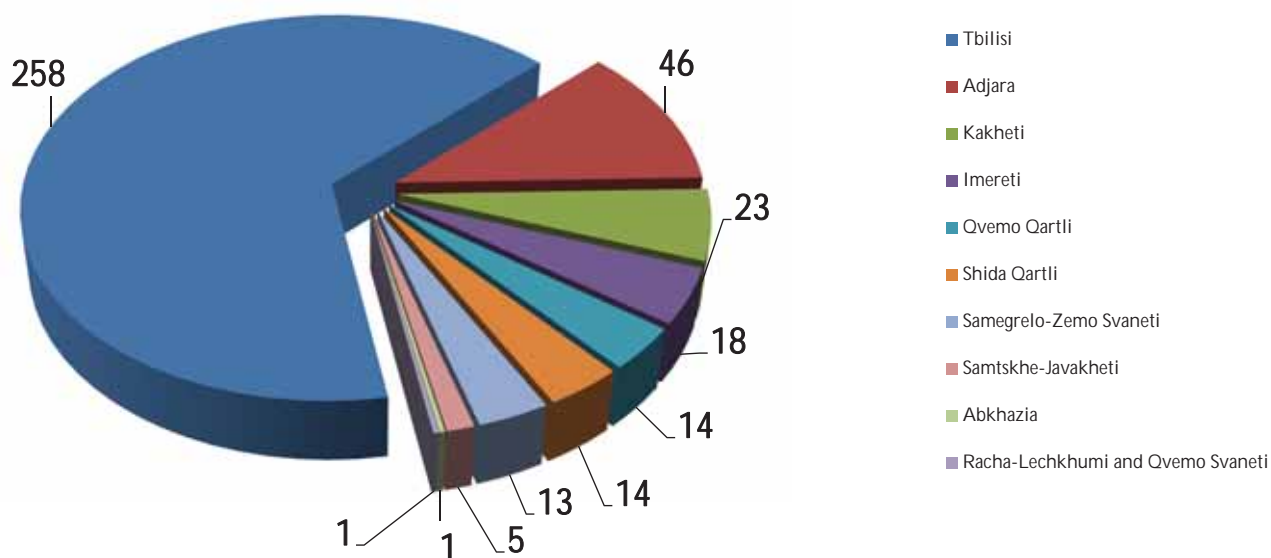




	CPV Code		Number of Appeals
1	4520000	Works for complete or part construction and civil engineering work	68
2	3020000	Computer equipment and supplies	23
3	4540000	Building completion work	22
4	5550000	Canteen and catering services	18
5	4530000	Building installation work	17
6	3360000	Pharmaceutical products	15
7	7720000	Forestry services	12
8	0920000	Petroleum, coal and oil products	11
9	3010000	Office machinery, equipment and supplies except computers, printers and furniture	10
10	3310000	Medical equipments	7
	Total		203

DIAGRAM 24:

DISTRIBUTION OF APPELLANTS ACCORDING TO REGIONS





Only 15 decisions made by Dispute Resolution Board in 2012 and 2013 were appealed in the court. In 11 cases the court upheld the decisions of the Dispute Resolution Board and did not meet the appellant's claim. The other 4 cases are still pending.

One of the duties of the e-DRB is the monitoring of the fulfillment of Board decisions. As of to date 45% of the appeals require further actions to be undertaken by the Board – some additional correspondence. It should be mentioned that administrative infringement reports have been drawn up with regard to 2 appeals as the procuring entity failed to timely fulfill the Board decision.

MONITORING AND COMMUNICATION

In 2013 the LEPL - Competition and State Procurement Agency drew up 8 administrative infringement reports within the terms of its reference against 48 lawbreakers and referred these reports to courts for further proceedings.

Tbilisi City Court reviewed 8 administrative infringement reports, the case proceedings with regard to 4 of these reports were dismissed (the court ruled that 6-months period had elapsed. The dismissed cases were appealed with the Court of Appeals; as of to date the case against 17 lawbreakers is pending with the Court of Appeals).

With regard to 4 administrative infringement reports the court sufficed itself with a reproof. No fines have been imposed by the court in 2013.

Total 6,495 correspondences have been received and processed and 3,643 letters/recommendations were sent out.

Total 10,094,002 system notices and 46,457 SMS have been disseminated though Ge-GP system with a view to provision of system users with information on various issues.



PUBLIC INTEREST TOWARDS GE-GP SYSTEM

The success of the Ge-GP system and the existence of major public interest in it are clearly demonstrated by the number of visitors of the Agency official webpage www.procurement.gov.ge (see Diagrams 25 and 26). The diagrams show that the webpage caught the interest of the most part of the world. The statistics evidences that the average duration of a visit is over 4 minutes, what speaks for the interest of the visitors towards the content of the webpage.

DIAGRAM 25:

STATISTICS OF THE VISITORS OF THE CSPA OFFICIAL WEB-PAGE

Visitors Overview



239,245 unique visits

Sessions	Users	Pageviews	Pages/Session	Avg. Session Duration	% New Sessions
2,008,666	239,245	5,034,833	2.51	00:04:14	10.80%



DIAGRAM 26:

STATISTICS OF THE VISITORS OF THE CSPA OFFICIAL WEB-PAGE ACCORDING TO THEIR LOCATION



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



ACTIVITIES IN THE FIELD OF COMPETITION POLICY

The priority field of activities of the Competition and State Procurement Agency is the fulfillment of the commitments assumed under the Agreement on Deep and Comprehensive Free Trade Area (DCFTA) entered with the EU, European Neighborhood Policy Action Plan (ENP AP) and Eastern Partnership Roadmap, which provide Georgia's commitment to proceed with the reform of competition policy and enhance institutional capacity building. It is worth mentioning, that the European Commission admitted Georgia's significant progress in competition area at the 10th meeting of Georgia-EU Subcommittee on Trade, Economic and Related Legal Issues and the negotiations on Association Agreement (AA), the integral part of which is the DCFTA, concluded successfully through initialing the AA Agreement on 29 November 2013.

Short overview of the DCFTA:

The chapter on competition provides for the obligations of the parties to maintain the competition regulatory frameworks and respective executive authority.

The DCFTA does not restrict the parties from creating or maintaining state monopolies, state enterprises entrusted with them special or exclusive rights under their respective legislation.

The DCFTA imposes the following obligations on Georgia:

- Maintenance and implementation of antitrust and merger regulatory framework;
- Maintenance of the authority responsible for the enforcement of law;
- Ensuring the transparency in the area of subsidies;
- Following the signature of the Agreement, Georgia is supposed to provide the EU with a report on subsidies issued by the Government or any public authority in relation to the production of goods every two years. Such report is deemed to have been provided if the relevant information is made available on a publicly accessible website;
- Information pertaining to particular subsidies relating to the supply of services should be provided to the EU on request.



For the development of competition legislation and proper enforcement of law, the Law of Georgia on Free Trade and Competition provides for the adoption of sublegal normative acts.

The CSPA drafted the following legal acts and submitted them to the Government of Georgia for approval on 11 March, 2013:

- On General Procedure of Issuance of State Aid;
- On Rules and Procedures of Investigation;
- De-minimis State Aid;
- On Priority Fields of CSPA Activities.

The adoption of the mentioned legal acts was postponed due to the elaboration of draft amendments to the Law of Georgia on Free Trade and Competition. The Ministry of Economy and Sustainable Development of Georgia has been working on these draft amendments since November 2012. The draft amendments to the Law stipulate an institutional shift, meaning the division of the Competition and State Procurement Agency and creation of an independent competition authority. Several meetings were held with the representatives of public and private sectors in order to raise awareness of the society on planned amendments to the Law. The CSPA prepared comments on draft amendments to the Law on Free Trade and Competition and submitted them to the Ministry of Economy and Sustainable Development of Georgia on 19 March, 2013. The draft amendments to the Law on Free Trade and Competition were submitted to the Government of Georgia for approval.

Within the scope of competence envisaged by the Law, the CSPA reviewed the applications related to various aspects of competition. The major part of the applications concerned the pay box market and granting possible exclusive right to a customs warehouse by the State.



In regard of institutional capacity building the CSPA cooperated with Swedish Competition Agency under the agreement of the European Commission within the framework of long-term cooperation project. The Project is funded by Swedish International Development Agency (SIDA). The main purpose of the Project is the creation of the competitive environment, building institutional capacity of the CSPA in order to become more transparent and efficient, that facilitates Georgia's integration into the European market in a long-term perspective.

The target group of the Project consisted of:

- Competition and State Procurement Agency;
- Respective Public Officials;
- Independent national Regulatory authorities;
- Judges;
- Private sector.

14 trainings and 2 study visits were held for CSPA employees, other public officials and judges. However it should be mentioned that measures planned for 2013 were revised to address the planned institutional changes and new challenges.

The CSPA also intensively cooperated with Hungarian Competition Agency. The CSPA employees participated in regional forums arranged by the OECD and Hungarian Competition Agency.



OUR EVALUATION

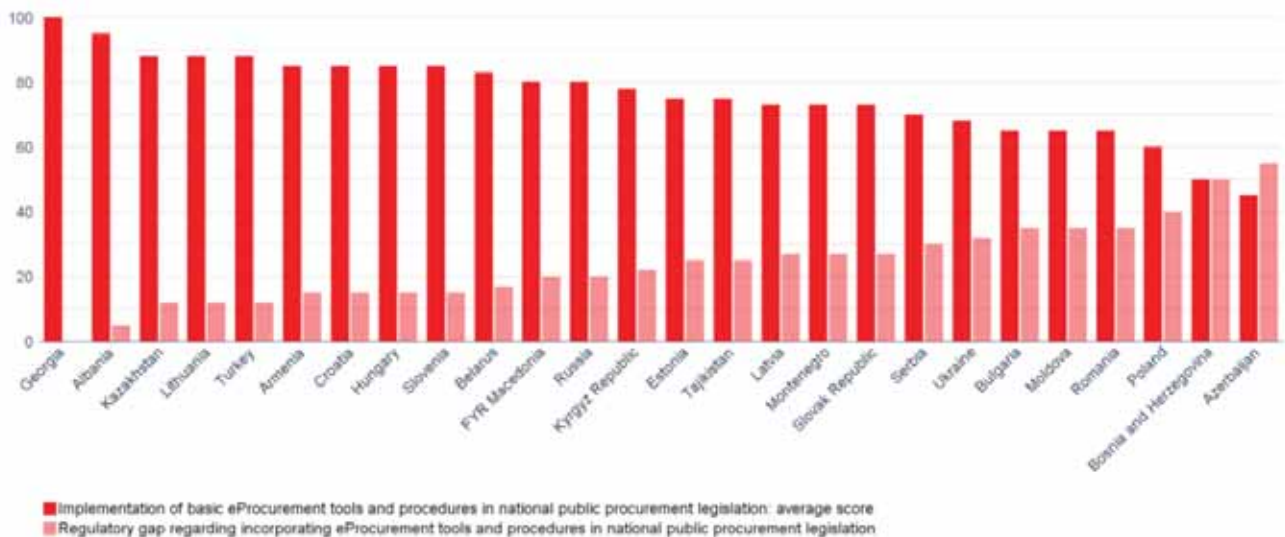


European Bank
for Reconstruction and Development

According to EBRD 2012 Regional Public Procurement Legislation Self-Assessment Georgia is on the 1-st place amongst EBRD Regional 26 countries.

The diagram below demonstrates the implementation of e-Procurement in national public procurement regulatory framework. The dark red scale portrays grades awarded for the implementation of basic e-Procurement tools and procedures in national public procurement legislation and the light red scale – the regulatory gap regarding incorporating e-Procurement tools and procedures in national public procurement legislation.

<http://www.ebrd.com/downloads/research/law/lit113.pdf>



Transparency International (TI) – Georgia “Georgia’s procurement system is state of the art and one of the most transparent and efficient systems in the world”.

<http://transparency.ge/en/post/report/georgia-s-e-procurement>



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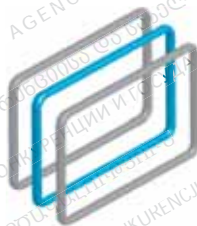


SIGMA

A joint initiative of the OECD and the EU, principally financed by the EU



Creating Change Together



COMPETITION AND STATE PROCUREMENT AGENCY

Tbilisi 2014