

## State Procurement Electronic System Efficiency in Georgia

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### Abstract

State procurement has significant strategic importance for Georgia, while it serves the rational expenditure of the state funds and the creation of a transparent competitive environment for the state and the business sector. In the last few years, the development of electronic technologies have formulated united state procurement electronic system. State financial resource spending requires business correspondence based on a single electronic system, which facilitates the acquisition of the buyer and the supplier openly, easily and without any unnecessary restrictions. Electronic system elaboration ensures maximal transparency of procurement procedures and rational spending of the state financial resources. Furthermore, increases competition among the bidders participating in the tender and raises public awareness. E-procurement system increases efficiency of the procurement processes, through saving purchaser's and potential supplier's financial, human and time-consuming resources. Besides, the tender procedures are transparent and easy to understand for any person interested in it. It is effective and efficient for any country to use the state procurement electronic system, as it provides transparent procedures and eliminates competition restrictions, corruption and discrimination risks.

**Keywords:** State procurement, Electronic system, tenders, procurement procedures.

### Introduction

State procurement – this is the procurement of any goods, service and civil works by procurement organization with the means belonging to the state (or equalized) (Khodeli, Broladze, Julakidze, 2014, p. 57). State procurements represent one of the most important fields and 12% of entire domestic product comes to it (State Procurement Agency, 2017, p. 2). Respectively, the greatest importance is given to rational spending of state financial resources, maximally transparent supply of information to the society and healthy development in the field of state procurement, establishment of fair and non discriminative environment. It is important that the field of state procurement works in order as for state as well as for private sector. Despite the fact that it is particularly actually to make rational and purposeful spending of state means, for the country it is important to have the increase of small and middle business involvement in state procurements, development of competition in private sector which in its turn provides the growth of their incomes. For today the state procurement are presented only as the instrument of economic regulation and not the means for providing state necessities and serve the increase of competitive advantages (ШАБУРИШВИЛИ, 2016, p. 139).

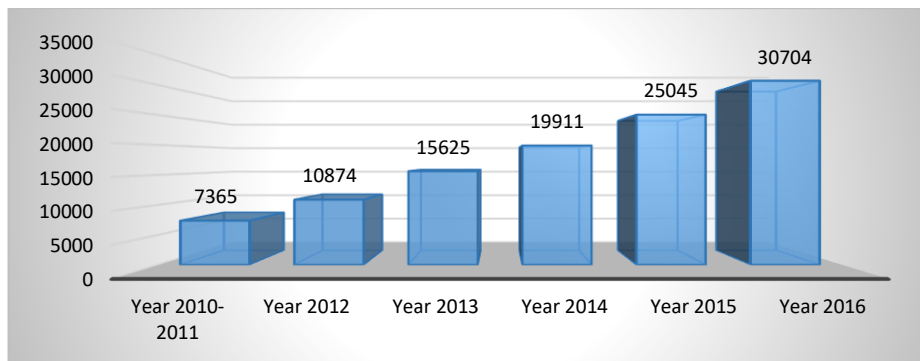
### Role of Informative Technologies in State Procurement

In modern world daily the importance of information technologies are being increased, in private as well as state sector. The crucial changes in the field of state procurements of Georgia are associated with exactly the information technologies. State procurements comprise the important part of entire domestic product and serve the rational spending of state means and creation of transparent – competitive environment for state as well as business sector. It has to provide maximum protection of procurement organization and society through the way of publicity, rationality, equality, responsibility and increase of effectiveness (Gaprindashvili, 2012, p. 91). When proceeding state procurements during recent period particular place is occupied by the establishment of modern information technologies and electronic system. Special importance in information society is given to the effective usage of monetary resources being under the ownership of budget-funded organizations and physical entities, establishment of such contacts between customer and suppliers, during which on the one hand the supply of highest quality, guaranteed goods and items under process acceptable to Customer and on the other hand sale of the mentioned in time and for the prices acceptable, which are achieved through the way of establishing the informative union between manufacturer and customer available at the market (Gognadze, 2013, p. 7). Relevantly, it becomes necessary to precede the case based on electronic system which assists the contact of purchaser and supplier without extra preventions.

The state procurements of Georgia were carried out before 2010 based on paper regulation, which was related to the hard work, distrust towards state procurements of society, restriction of competition, risks related to corruption and discriminative attitudes. The participation in tenders organized based on the mentioned regulation was problem for regional companies, because they often had to visit capital city for taking part in tender. According to the report 2008 of World Bank, the state procurement system of Georgia was evaluated as the "high risk carrier system" of corruption. For the purpose that all the suppliers would have been under equal terms and LEPL Competition and State Procurement Agency gave chance of excluding discriminative attitude to LEPL National Agency of Public Registry under technical support providing the program development of electronic system of state procurement. Thus, since the beginning of 2010 electronic system of state procurements has been established and in October 2010 first electronic tender has been announced. Since December 2010 the document-based tenders have been abolished and all the state tenders are organized only in electronic way. The establishment of transparent system made the procedures related to the procurement simply perceivable and society was involved in system in the role of participant as well as observer. Also the problem of geographic inequality has been decided because during the period of paper based regulation tenders the enterprises located in regions, couldn't take part practically due to the presence of high expenditures.

### United Electronic System of State Procurements

The development of united electronic system of state procurements in Georgia provided maximum transparency of procurement procedures, rational spending of state finances, increase of competition between claimers and elevation of social consciousness towards the field of state procurement. For today the united electronic system of state procurement comprises three languages and the data included in it are available to the system users in Georgian, English and Russian languages. Any stakeholder from all the places of world may take part in tender. It is remarkable that annually the number of stakeholders in the field of procurement is increased (see Figure #1) (State Procurement Agency, 2017, p. 17).

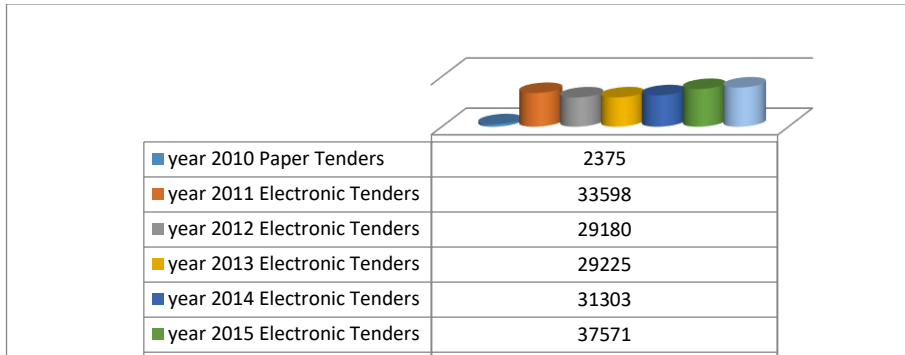


**Figure № 1:** Distribution of registered suppliers in 2010-2016

Still private sector is distinguished with great activity in the field of state procurement in 2016 and during year totally 5 659 new users have been registered in the system and as a result of the mentioned the number of registered users for the end of 2016 were 30 704. Based on the information available at National Service of Statistics for the end of 2015 about 160 000 active economic operators have been registered, according to which about 15.6% are taking place in state procurements (State Procurement Agency, 2016, p. 17).

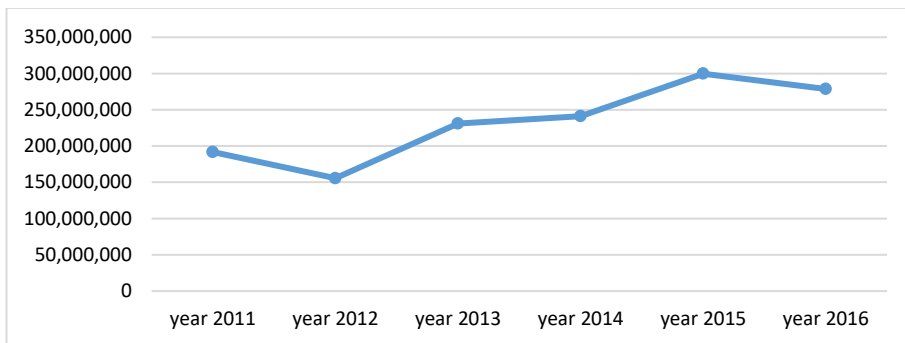
Due to the united electronic system in Georgia the information related to the state procurement is available and open. Following belongs basically to such type of information: annual plans of procurement, bidding, documents for tender and its modifications, presumable cost of procurement, bids of suppliers and prices, Minutes of Tender Commission Meeting and correspondence with suppliers, agreements and their amendments, documents for executing agreement and factual taxes. The elevation of competition was assisted by the addition of modernized module of Dispute Examination Board in electronic system, made the procedure of appealing tender more simplified and any stakeholder registered as "supplier" in system may appeal the bids at Board and claimer who directly takes part in decisions/activity of tender/competition if it is considered that the regulations have been infringed under law and/or relevant normative acts and/or its rights have been humiliated.

While reforming the public procurements system the priorities and the demands were defined, which should have been met by the legislative amendments for the private and public sectors (Gaprindashvili, 2015, p. 955). The establishment of united electronic system has significantly increased the indicator of involvement of private sector in state procurements. Also from the side of procurement organizations the number of tenders announced has been increased and in 2011 the quantitative indicator of electronic tenders exceeds 14 times the volume of tenders paper-based (see Figure #2) (State Procurement Agency, 2018).



**Figure No 2:** Distribution of Paper and Electronic Tenders in 2010-2016

191 487 127 GEL has been saved from the budget during 2011 through united electronic system of state procurement (Competition and State Procurement Agency, 2012, p. 17), in 2012 – 155 610 107 (Competition and State Procurement Agency, 2013, p. 18), in 2013 – 231 062 588 (Competition and State Procurement Agency, 2014, p. 10), and in 2014 – 241 132 563 GEL (State Procurement Agency, 2015, p. 10.), in 2015 – 299 704 216 GEL (State Procurement Agency, 2016, p. 10), in 2016 – 278 435 040 GEL (State Procurement Agency, 2017, p. 12). This represents significant saving for state budget (see Figure #3).



**Figure No 3:** Distribution of Budget Savings in 2011-2016

It is remarkable that state procurements represent one of the most important fields for any country. The government has to create the terms optimal for the establishment – development of business: provide political, economic and social stability in the country. Special attention has to be given to the development of healthy competition between the stakeholder through the state procurements which in its turn provides the rational spending of state means and maximum usage of own possibilities by the companies (Shaburishvili, Medzmariashvili, 2017, p. 258). The government has to create the competitive environment and provide the field of state procurement through organized legal basis.

Electronic system provides not only the simple transactions at the duration stage of tender, this gives possibility to use the information available in the system for making business processes more refined. The procurement organizations have possibilities to examine the tenders organized by other organizations and consider the information obtained when executing own tenders. Also system gives suppliers chance to study the requirements of state sector and further consider this when processing business. The electronic system of procurement is effective not only for the companies taking part in it, but for

state institutions as well, because all the procedures starting with applying the applications of companies and evaluating their technical data and ended up with offering process and paying, takes place subject to electronic system. As a result, time necessary for procedures has significantly decreased and also problems will be less (Transparency International Georgia, 2013, p. 5). Also, representatives of private sector through the schedules presented in advance by procurement organizations gives representatives of private sector plan the own activity during year.

## Conclusion

Thus, all in all, modern information technologies assisted the development of state procurement system of Georgia. The electronic procurement system increased the effectiveness of procurement process and for today is saved, as financial, human and time resources of potential supplier organizations. Also, it assisted the publicity of process, elevation of trust towards the society, increase of healthy competition and what is most important rational spending of monetary means designed for state procurement. The increasing stage of LEPL "State Procurement Agency" gives the possibility to express the presumption of making united electronic system of state procurement more refined and more perfect. The policy of state procurement in Georgia provides the rational, reasonable and transparent spending of state financial resources. Despites, it significantly increases the level of competition in private sector and provides the maximum involvement of business subjects.

The united electronic system of state procurement provided the elevation of trust towards society and made transparent the mechanism for spending state financial resources. The electronization of procurement processes made the participation in tenders non bureaucratic and transparent. For today all the stakeholders may in shortest period search for the information if whether procurer executes the procurement of which item and of what type. The mentioned decrease the risks of corruption and creates fair environment. At this stage the united electronic system of state procurement is being refined and modified, which in future provides the perfection of processes related to the state procurements.

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