

STATE PROCUREMENT ASPECTS IN GEORGIA

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One of the key areas of economic reform since Georgia's independence was the reform of the state procurement system. The process of the reform brought Georgia closer to international procurement standards. For this purpose, a regulatory legislative framework for public procurement has been established and its principles put into practice. The reform of the state procurement system in Georgia was implemented with the support of the World Bank, the United Nations and other international organizations. This system is still being refined. Various scientists are doing research on these problems. [1-34].

In this research, after analyzing the pros and cons of the public procurement system, we can conclude: Proper public procurement policy enables the country to manage its public finances in a rational, transparent and competitive environment, which promotes the development of the local business, the creation of new jobs and eventually the growth of the economy.

Keywords: *State procurement; electronic procurement; public finances; economic policy; public administration.*

JEL Classification: *H50, H57, H59*

I. INTRODUCTION

The state procurement system holds one of the most important places in the functioning of a state which is based on modern western values. Creation and enactment of this system in countries with transitional economies, including in Georgia, become particularly urgent. Since the second half of the last century, the amount of public expenditure incurred to meet public demand has significantly increased. The development of international standards and regulations in this area is on the agenda. The foundation was laid for the tariff and trade agreement, which did not clarify state procurement regulations. Subsequently, the World Trade Organization (WTO) developed and in 1996 the relevant regulatory rules came into force. Their basic principles are: A) rational planning and spending of state funds; B) transparency of the public procurement process; C) Creating fair competition conditions for private companies participating in public procurement. The reform of the state procurement system in post-Soviet Georgia has been in force since 1998; First was adopted the law on public procurement. For the purpose of enforcing this law, a legal entity of public law (LEPL) - State Procurement Agency was established.

II. GENERAL ANALYSIS

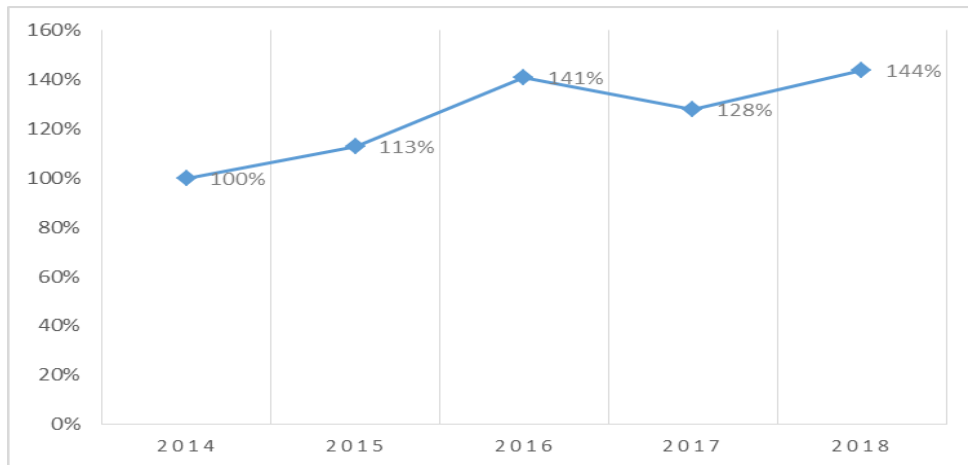
The "State procurement reform" was intended to strengthen effective financial management and the introduction of market principles in the economy as a whole. The purpose of the law was to monitor public procurement in the public sector and to promote a healthy, competitive and transparent system in this regard. The implementation of the law was accompanied by problems that required changes:

- *First*, to bring it into line with international law in 2001;
- *Second*, for the purpose of institutional improvement of public procurement policy since 2005;
- *Third*, the third phase of public procurement reform began on January 1, 2010. It included: ensuring publicity and accessibility of government contracts; Ensuring fair competition for suppliers in public procurement. Implementation and development of e-procurement and implementation of the Association Agreement with the EU have been implemented at this stage. Association Agreement, etc.

Legislative changes were designed to increase public trust in state procurement policy. For this purpose was provided: Transparency of procurement procedures; Promoting rational spending of state finances; Objectively assess competitors' data; Establishing innovations ; Gradual harmonization with the legislation of the EU and other developed countries; Creating an efficient and transparent dispute resolution mechanism, etc.

Now, let's analyze the actual materials available after the system was launched. State procurement finances make up a large portion of GDP and the state budget. (Diagram 1).

Diagram 1. State Procurement Volume (2014 = 100%)

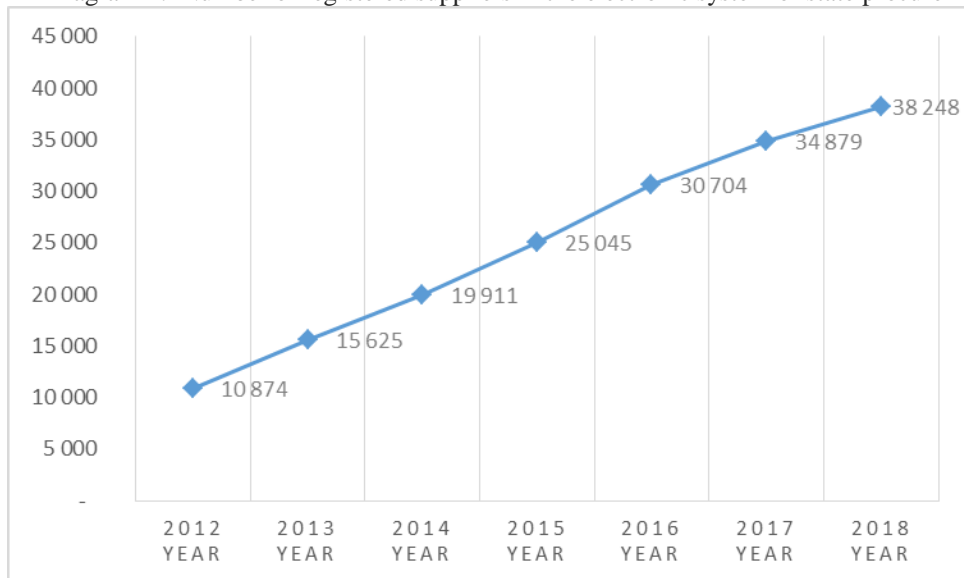


Calculated: <http://www.procurement.gov.ge/Konsolidirebuli/archive.aspx> (30.09.2019).

According to the calculation, the volume of state procurements is increasing annually and in 2018 it was 44% more than in 2014.

The number of suppliers registered in the electronic system of state procurement is increasing every year.

Diagram 2: Number of registered suppliers in the electronic system of state procurement:

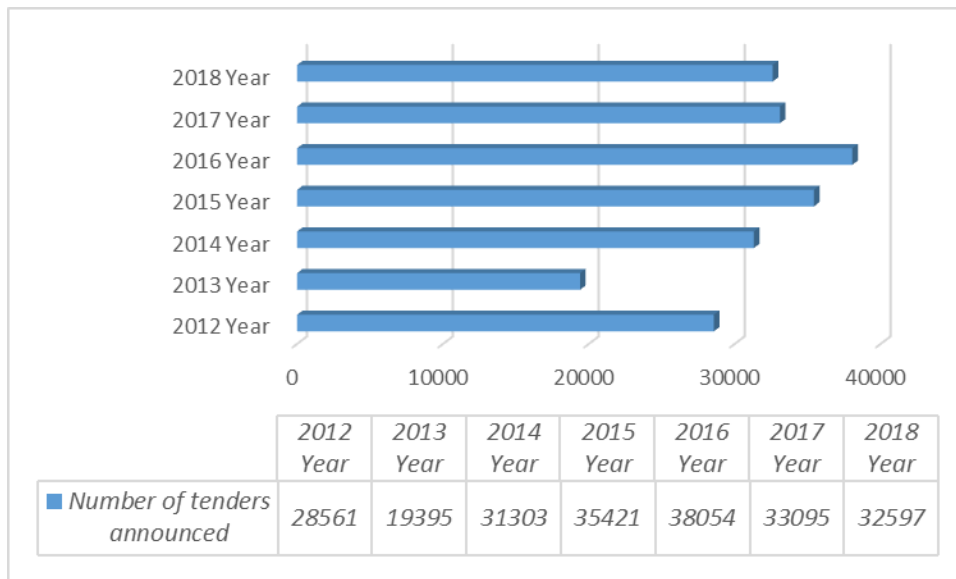


Calculated: <http://www.procurement.gov.ge/Konsolidirebuli/archive.aspx> (30.09.2019).

According to the diagram, the number of suppliers registered in the electronic system of state procurement has increased almost four times in 2018 compared to 2012.

Using the electronic system, the dynamics of electronic tenders has been characterized remained to be stable over the years (Diagram 3).

Diagram 3. Number of tenders announced through the electronic system, 2012-2018.

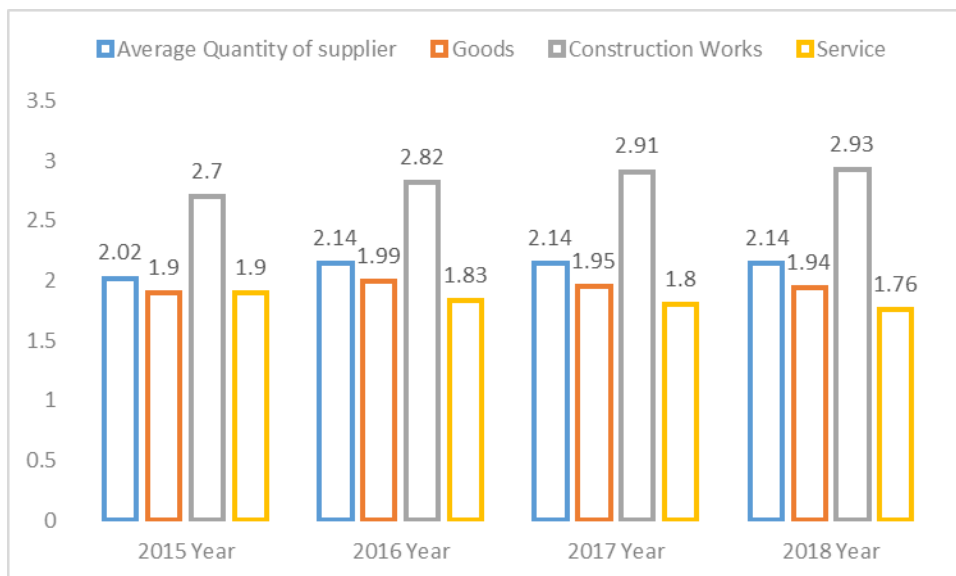


Calculated: <http://procurement.gov.ge/ELibrary/AnalyticalStudiesReports.aspx> (10.09.2019).

The diagram clearly shows that in 2012-2018, the average annual number of tenders exceeds 31,000, with the highest figure in 2016 - 38 054.

The reform of the single electronic system has improved the rational spending of public finances, which has had a positive impact on the transparency of the process and the creation of a competitive environment. The increased number of suppliers involved in the procurement process (Diagram 4) has led to significant cost savings.

Diagram 4. Average number of Tender Participants



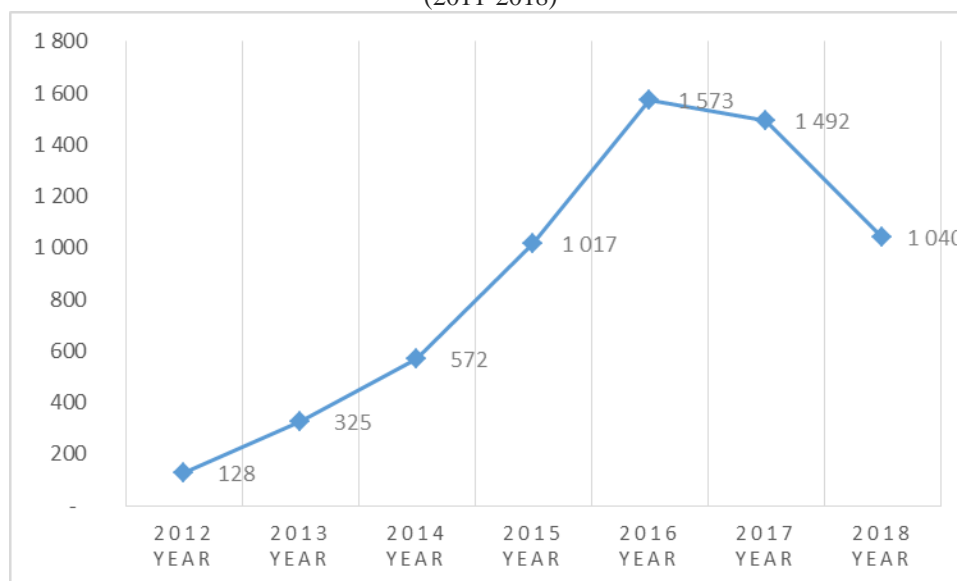
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The above given diagram shows that the number of tender participants has been increasing over the years, indicating an increased competition that is a prerequisite for rational spending.

Another new system was introduced as part of state procurement reform: the black and white list. The first of the - defense mechanism for procuring organizations. The black list includes suppliers who act in violation of state procurement legislation. They are not allowed to participate in state procurement for one year after being blacklisted. Such restriction has a positive effect on the procurement process. In 2018, 403 suppliers were blacklisted, and 143 suppliers were given notice; The Procurement Agency also sets a "white list" for successful companies. In 2018, 53 companies were registered on the "white list";

The Procurement Related Disputes Resolution Board plays an important role in the fair conduct of the procurement process. The number of it's users shows the degree of trust towards this board (Diagram 5).

Diagram 5. State procurement related statistics of complaints submitted to the Dispute Resolution Board (2011-2018)



<http://procurement.gov.ge/ELibrary/AnalyticalStudiesReports.aspx> 10.09.2019.

Therefore, in 2018, compared to 2012, the number of complaints in the Board of Disputes has increased eight times, which indicates a high degree of trust in the institution.

The terms of the Association Agreement between Georgia and the EU (2014) also referred to the state procurement system. The commitment to harmonize with EU regulations and the mechanisms for its gradual approximation were identified, which would make the functioning of the state procurement system more effective in Georgia.

V. CONCLUSION

Overall, we can conclude that: Reforms in public procurement have resulted in improved rational, transparent and coherent spending of budgetary funds in the country, which has also played a positive role in the development of the business sector, although we are still far from desirable.

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