

## **1. Current situation of the state procurement system and the regulatory legislation of the procurements.**

By the Order of President of Georgia, dated 5 Jun 2001, for the purposes of coordinating and monitoring implementation of state procurements, was formed a permanent independent body with the status of a legal entity under public law - The State Procurement Agency.

The legal bases for the agency's activities are the Constitution of Georgia, international contracts and agreements, the law on "State Procurements" and the law on "Legal Entity Under Public Law", the Order of President of Georgia dated 5 Jun 2001 and the agency's regulations collaborated elaborated in accordance with all the abovementioned.

State Procurement Agency is managed by the Chairman of the Agency, candidates for the position of the chairman of the Agency are appointed to position by the Prime Minister

The Chairman of the Agency has a deputy, who is appointed by the Chairman of the Agency in co-ordination with the Supervisory Council of the Agency.

The Agency consists of the following departments:

- a) Information-Methodology Department;
- b) Department of Analysis and Monitoring;
- c) Legal Department;
- d) Administrative and Internal Audit Department;
- e) Apparatus of the Head of the Agency, which includes Secretariat, General Department, Office of Technical Support and Accounts Department.

The stuff of the Agency consists of 37 persons.

The rules defined by the legislation regulating the state procurements, apply to all categories of the state procurements, except the procurements, related to the sphere of state secrets and covered by the "Law on State Secrets".

Also, this law does not extend over the following procurements:

- a) Procurements implemented by the National Bank of Georgia in accordance with requirements of the "Law of Georgia on the National Bank of Georgia" and related to implementation of monetary policy and international monetary policy ;
- b) Procurements implemented with resources of the subjects of the public law, which in accordance with the laws of Georgia are considered as religious organizations.
- c) State procurements of electricity, natural gas and water supply;
- d) Procurement or obtaining the rights to use of the real estate in the foreign country for the diplomatic representatives and the consulates of Georgia, also the state procurement of the auto transportation means.

- e) Procurements implemented for securing the meetings or the visits of the President of Georgia, Chairman of the Parliament, Government of Georgia and/or Mayor of Tbilisi, also for securing receptions of the delegations into the Parliament of Georgia and the visits of the delegations of the Parliament of Georgia to the foreign countries, also the procurements carried out with the funds issued from the reserve funds of the President of Georgia, Government of Georgia and/or Mayor of Tbilisi;
- f) Procurement of the services of the non-stuff workers defined under the budgetary classification of “Goods and Services”, also the state procurements carried out during the missions.
- g) The state procurements implemented by the companies, more than 50% of stocks or shears of which are owned by the state or local administrative body;
- h) The state procurements of expert services, if procurement of such service is implemented according to the article XIV of the Criminal Code;
- i) The state procurement or receiving rights to use of the real estate;

And

This law does not extend over the procurement of cellular phone services until 1 January 2011.

Herewith,

If the international organizations are implementing retroactive financing, the rules different from this law may be used for conducting the state procurement;

The Government of Georgia/local administrative body is authorized to individually approve corresponding rules of the state procurement implemented by the company, more than 50% of stocks or shears of which are owned by the state or local administrative body;

In the law in force were made number of amendments in 2008. Mentioned amendments serve to improve the gaps, existence of which were discovered during the law’s operating period. The amendments insure maximal exclusion of making a subjective decision or giving subjective interpretation to any thesis. Same time is offered the unique and transparent formulation of the process of evaluating the tender proposal. Final edition of the law defines new fiscal (monetary) bounds for different types of the procurement means. It is caused by the growing process of the budgetary parameters in the country and the inevitability to increase the operativeness of implementation of small size procurements. Also, according to new law, the concept “Intellectual services” has been abolished and the procurement is implemented according to the rules established for “Services”. Besides, the law does not extend over the procurement of real estate, lease, or rent.

Regulated by the entries into the law, the procedures of the alternative rules of submitting the tender proposal and additional, different method of evaluating the tender proposal, are defined by the regulations on “Rules and Procedures for Implementation of State Procurement”. According to the abovementioned amendments, when the alternative rules of submitting the tender proposal are used, the procuring organization is guided by maintaining the different procedures. This is one more way of objective implementation of tender proposal evaluation procedures. And by using additional, different method of evaluating the tender proposal, the commission evaluates the tender proposal by using the formulas, established by the abovementioned regulations. It excludes the possibility of individual approach of the members of the commission during the evaluation.

Abovementioned method of evaluation may only be used in those cases, when the data expressed in numeric figures is defined as the evaluation criterions.

**Table 1.**

The monetary bounds in the former and the current editions of the law

		<b>Monetary bounds</b>	
		<b>Former edition of the law</b>	<b>Current edition of the law</b>
<b>O.P.N</b>	<b>Goods and services</b>	<b>Till 20 000 Lari</b>	<b>Till 50 000 Lari</b>
	<b>Constructive-reconstructive works</b>	<b>Till 50 000 Lari</b>	<b>Till 100 000 Lari</b>
<b>P.O.</b>	<b>Goods and services</b>	<b>Till 50 000 Lari</b>	<b>Till 100 000 Lari</b>
	<b>Constructive-reconstructive works</b>	<b>Till 120 000 Lari</b>	<b>Till 200 000 Lari</b>
<b>Tender</b>	<b>Goods and services</b>	<b>Over 50 000 Lari</b>	<b>Over 100 000 Lari</b>
	<b>Constructive-reconstructive works</b>	<b>Over 120 000 Lari</b>	<b>Over 200 000 Lari</b>

## **2. Introduction of the electronic procurements and the role of international organizations.**

Electronic system of state procurements allows effective management and decrease of annual expenditures of the state. State Procurement Agency conducts active preparative works for creation of United Electronic System of State Procurements in Georgia. The purpose of which consists of the development of high quality electronic state procurement system in Georgia, that will ensure the introduction of electronic tenders, electronic procurements and the electronic procurement and management systems.

In the process of implementation of preparative works for creation United Electronic System of State Procurements, Georgia enjoys active financial and consultative support from World Bank. In 2006 World Bank issued \$295 000 USD grant for financing the preparative works. This grant must be assimilated gradually within 3 year period and it foresees technical rearmament of the agency, inviting foreign experts of electronic procurements, organizing training-seminars for corresponding specialists of local procuring organizations and all initial activities necessary at this stage for the functional and structural improvement of the state procurements system in Georgia.

Within the framework of the abovementioned grant, State Procurement Agency of Georgia collaborated the Action Plan, according to which was successfully implemented number of projects.

The tasks of informing Georgian Government about the existing situation in the sphere of state procurements and proposing the suggestions for making corresponding decisions, are accomplished by systematic study and analyses of the reports, received from the procuring organizations, and the data, received from the Treasury Service of the Ministry of Finance of Georgia. By itself, it is very work-consuming process, because of the large volume of the information. If we also take in consideration the fact, that the data, submitted by the procuring organizations, often contains mistakes, nonexistence of the modern improved database had made quality analyses of the information practically impossible. Considering the abovementioned, for the purposes of monitoring the state procurements implemented countrywide, increasing the effectiveness of accountability and developing systematic reporting system, by the consultant selected on the bases of concurs was created the analytical database for State Procurement Agency.

Proceeding from the growing interest of society towards the existing situation concerning the state procurements and the growing significance of communicational and informational technologies, with the purpose of displaying more capacitance information concerning state procurements creation of new, modern and multifunctional special web-site became necessary. The agency announced the concurs on abovementioned and the consultant, selected as a result of corresponding procedures, created the new, modern design and multifunctional web-site, which was placed on the agency owned server, at the address **[www.spa.ge](http://www.spa.ge)**

In Georgia is noticeable shortage of qualified specialists in the sphere of state procurements. Because of this, well execution of the state procurement procedures, foreseen by Georgian legislation and correspondingly, the accountability, can't be achieved fluently. It for its part reflects on the quality of implemented state procurements. It became actual to specially train the specialists for the sphere of state procurements, not only to secure the required level of the qualification and knowledge for the sphere of state procurements, but also to secure sufficient number of qualified specialists in future, required for implementation of electronic state procurements (E-GP) as it is determined by country policy.

For the purpose of training qualified specialists, in Georgia became necessary introduction of "State Procurements" as a discipline of the university program.

At the beginning stage was made a decision, as an experiment within the framework of the project, to finance "State Procurements" as a discipline of selected faculty of the university selected on the bases of the concurs. For this purpose, in 2007-2008 academic year, on the bases of the concurs was selected „Tbilisi Institute of Economics and Law”, and the selected group of the students, as an experiment, attended "State Procurements" course, that was designed based on specially prepared program. This course contained the procedures foreseen by Georgian legislation and the best practices existing in Georgia as well as the guideline procedures and standard documents existing in the international practice and the best practices of electronic state procurements (E-GP) worldwide.

Introduction of united electronic system of the state procurements in Georgia, will decrease the terms of implementation of the procurement procedures, increase transparency of the procurement procedures, simplify and make more effective the control mechanism of the procurement procedures and results, eliminate the problems connected with the distance between the procurer and the supplier and increase availability of the information on planed state procurements as for local as well as for foreign suppliers. This will cause the development of competitive environment in state procurement segment and will increase rationalization of budgetary expenditures. As part of the preparative works of developing institutional mechanisms of electronic state procurements and preparing the technical standards, was necessary to study the internet abilities and technical equipment and correspondingly the needs of large procurers countrywide. The consultant, selected on the bases of concurs, provided abovementioned service. The main purpose of the project is to study the internet abilities and technical equipment and correspondingly the needs of large procurers countrywide.

Dear Mr. ....

We are sending you the outline of our presentation. The original presentation will be longer and more fundamental.

Also, the members of the group that will be attending the seminar have been changed, the new members are: Giorgi Musashvili- deputy chairman of the State Procurement Agency of Georgia,  
Irakli Gvaberidze – consultant-specialist.

We need official Letter of Invitation for these persons.

P.S. the WB representative in Georgia has informed us that the participants must buy the Airplane Tickets on their own expense and the travel expense (cost of Airplane Tickets) will be reimbursed in Kyrgyz Republic, so we need to know what documents they must present in order to get reimbursed.

Thanks for your assistance.

Regards,

Soso Varsemashvili

Chairman of the State Procurement Agency of Georgia

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