Chapter 7
Public Procurement Reform in Georgia: The Way from Paper-Based Procurement to an E-Procurement System

Ana Chania
State Procurement Agency, Georgia

Kakha Demetrashvili
State Procurement Agency, Georgia

ABSTRACT

The Georgian public procurement system has undergone significant Public Financial Management reforms over the last few years. The goal of creation, introduction and management of the Georgian Electronic Government Procurement (Ge-GP) system was delegated upon the State Procurement Agency, which succeeded in ensuring the development of the software for the Ge-GP system under the assistance of the National Agency of Public Registry. The Ge-GP system was created within less than one year. From the first of December, 2010 all the paper-based tenders were abolished and electronic procurement has become the single platform. Through the introduction of electronic procurement platform, the Georgian procurement system has become considerably more transparent and nondiscriminatory, encouraging free and fair competition and minimizing the risk of corruption. Experience of the Georgian e-Procurement System could be one of the motivating factors for the countries working towards public procurement reform.
INTRODUCTION

The Georgian public procurement system has undergone significant Public Financial Management reforms over the last years. The Georgian Electronic Government Procurement (Ge-GP) system was launched in December 2010. Until then, the public procurement system was still believed to be the legacy of old times. There had been the cases of discriminatory treatment due to the absence of sufficient transparency; the cases of corruption were not exceptional. Due to the various reasons there had been the cases of favoritism and other unsound practices, the society had a distrust towards procurement system, access to tender-related data was very limited, the costs of participation in tenders was inevitably high, i.e. the amount of Georgian Lari GEL 200. All the tendering procedures were conducted on the basis of paper documents and all together led to lack of transparency, restricted competition, and high risk of corruption. Approximately 20 million paper documents were accumulated in State Procurement Agency (SPA) and it was almost impossible to collect and analyze data contained therein.

Another main problem was bureaucracy. Participation in paper-based tenders was associated with the collection of numerous documents, multiple visits of suppliers to procuring entities and other administrative bodies. It was mandatory to submit many such documents, which created additional administrative barriers. Except for the winners these documents were practically useless and meant the sheer waste of time and material resources for the other bidders. The problem of geographical inequality should also necessarily be mentioned. The regional companies were in unfavorable position as compared with Tbilisi-based (capital city of Georgia) companies, insofar as most of the procuring entities were located in the capital and regional companies had to visit Tbilisi at least four times to participate in a tender with no guarantees for winning it. According to the World Bank Report for 2008 the state procurement system of Georgia was rated as “high risk environment” with regard to corruption. Based on the foregoing and due to other reasons state procurement system of those time was regarded as inappropriate and inadequate for the reformer country.

The reform aimed to achieve five simple goals:

- **Transparency:** It was necessary to ensure the transparency of the expenditure of state resources for the society to have access to information whether for what and in what amount the state budget assignments were expended.
- **Non-Discrimination:** It was necessary to introduce such procedures, which would have placed all the players on the equal play grounds when participating in tender proceedings and would have excluded the possibility of discriminatory treatment. This was a rather complicated challenge, as there were
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