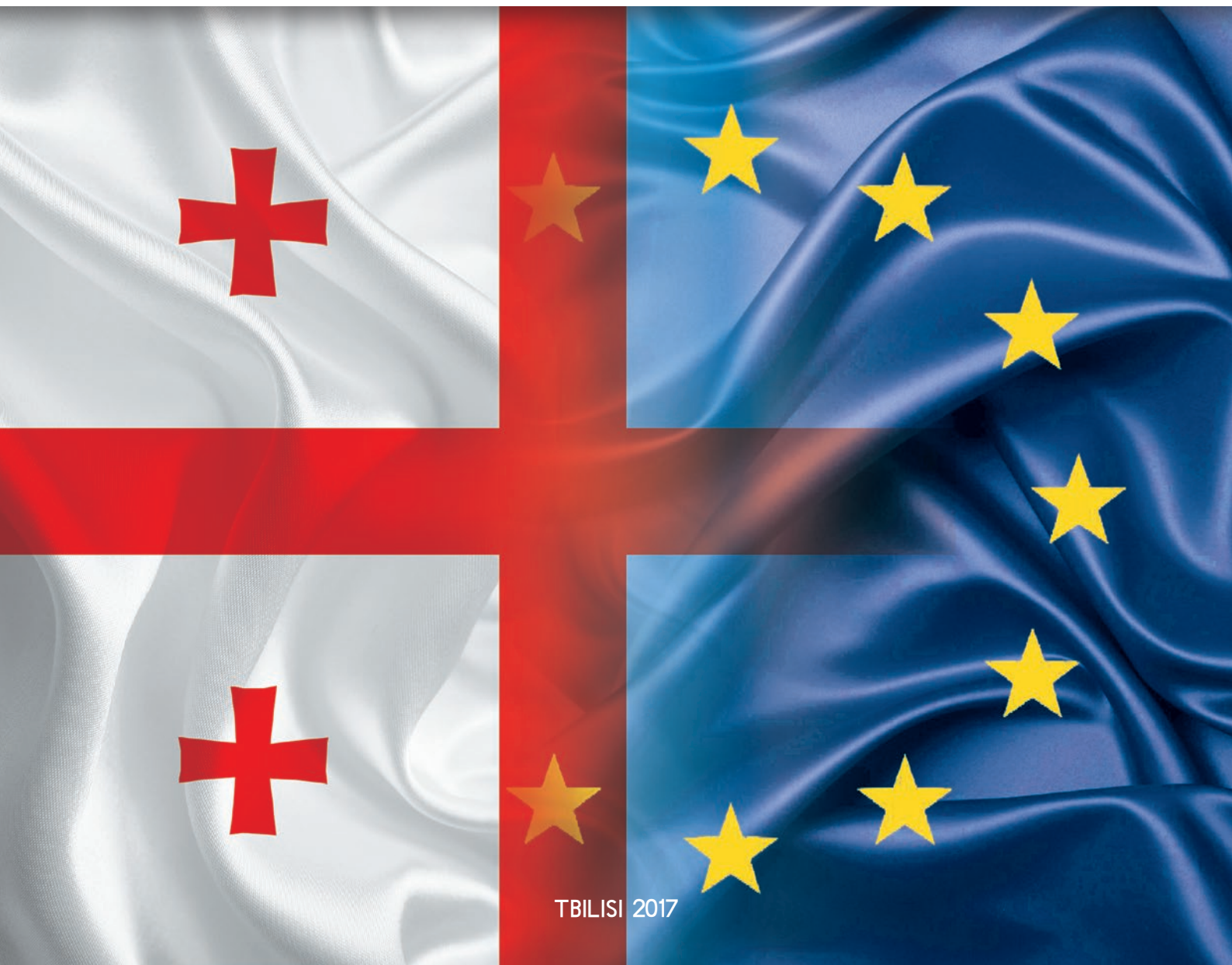


STATE PROCUREMENT AGENCY

ANNUAL REPORT 2016



სახელმწიფო შესყიდვების სააგენტო
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TBILISI 2017

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INTRODUCTION

Public Procurement is one of the essential fields for the country. The sum allocated by the state to procurement amounts to approximately 12% of GDP. Consequently, the efficient management of procurement processes, involvement of business and transparency of the procedures is the key priority of the Government of Georgia. Against this background, the State Procurement Agency (SPA) has been implementing major reforms for several years now. In 2016, like in the past years, SPA undertook efficient steps for further improvement of public procurement procedures and their alignment with the best international practices.

In 2016 three procurement procedures were added to the Unified Electronic System of Procurement - tender without reverse auction (Sealed-bid auction), Different Acquisition Procedure for the procurement of construction works and the so-called two-stage tender, where the winner is identified not only on the basis of price criteria, but rather through price-quality ratio. Two-stage tender enables procuring entities to select winner awarding criteria on a case-by-case basis, with due consideration of particularities of the tender concerned and if necessary, to specify both the price of procured goods and other costs and expenses related to its life-cycle, as an evaluation criterion. Recently introduced procurement procedures enable procuring entities to spend public resources even more efficiently.

A number of major amendments were introduced into the public procurement regulatory framework aiming at increased competition in public procurement on the one hand and on the other hand, more efficient expenditure of public resources. In particular, the changes were introduced to the procedure on maintenance of the White List, enabling the wide range of suppliers, involved in public procurement, to enjoy the benefits of the White List. In addition to that, the question of participation in tenders as partnerships was regulated, as a result the SMEs are now able to participate in large-scale complex procurements. Furthermore, the normative acts regulating the new procurement procedure introduced in 2016, were drafted.

At the same time, retraining of civil servants involved in public procurement procedures and enhancement of their professional skills is still a focal area. In 2016, 17 series of trainings and 6 series of seminars were held at the Training Centre of SPA under the participation of total 1,120¹ trainees from various public agencies and regions.

¹ In total 834 (eight hundred thirty-four) certified trainees. Also arranged were: four seminars were for Heads of Municipalities and Heads of Procurement Services (140 participants); 2 seminars - for procurement specialists of Tbilisi City Hall and Non-for-profit legal entities founded thereby (120 participants), 1 seminar - for the representatives of business sector (17 trainees), and "Training for Trainers" (9 trainees). Total 1120 (eleven hundred twenty) trainees.



2016 was successful year for SPA with regards to international cooperation, which was demonstrated in SPA's active participation in the fulfilment of various international commitments. In particular, mention should be made of its role in drafting the action plan for gradual approximation with the EU legislation "Roadmap and Action Plan for the Implementation of the Public Procurement Chapter of the EU-Georgia Association Agreement". Furthermore, the negotiations between the EFTA and Georgia on free trade were successfully concluded, which resulted in signing the Free Trade Agreement on 27 June, 2016. Agreement will enable businesses operating in Georgia to export produced goods to additional, market of 14 million-population with high purchasing power without tariff and non-tariff barriers.

Like in the past years, SPA intensively cooperated with Organization for Economic Co-operation and Development (OECD). This cooperation covered mutual exchange of international anticorruption experience, presentation of the report on commitments fulfilled by Georgia and drafting of 2017-2018 Anti-Corruption Action Plan.

The practice of personal meetings with the representatives of businesses was introduced under the initiative of the Chairman of the SPA. These meetings with businesses aim at identification of potential challenges in public procurement. Within the framework of these meetings interested persons are given opportunity to personally inform Chairman of the SPA about problematic aspects of procurement and additionally, to offer their visions and opinions to the management of the SPA on the removal of potential shortcomings.



NEW PROCUREMENT PROCEDURES

Sealed bid auction and two-stage tender

The so-called “Sealed bid auction” and “Two-stage tender” were introduced in 2016 (NAT and MEP in the Unified Electronic System of Public Procurement, respectively). The difference between these two procedures is as follows: in one case bidders are evaluated based on the price of the tender proposal and in another - on the basis of price and other quantitative criteria. The above-mentioned gives the possibility to the contracting authorities to take into account life-cycle-costing of procurement object during a selection process, and this will promote even more rational expenditure of the resources.

Unlike ordinary tenders, the recently introduced tender mechanism do not provide for holding reverse auction rounds between the participants. Furthermore, the access to certain data is temporarily limited during the selection-evaluation phase - both procurement procedures use the so-called automatic grading system, allowing for systemic determination of bidder grading and making visible the identity and bid of only that bidder, who has the best grading position. The identity of the bidders on the next grading positions becomes visible only in the case of disqualification of the previous one. Naturally, all the details uploaded into the electronic system become public as soon as final status is assigned. Exempted is “Tender terminated” final status when proposals of the bidders not reviewed for the moment of tender termination remain permanently hidden within the system. This novelty aims at the prevention of unlawful practices and higher level of impartiality on the part of procuring entities during the selection-evaluation phase.

Different Acquisition Procedure for the procurement of construction works

Another recently introduced procurement procedure is the Different Acquisition Procedure for the procurement of construction works (entitled as DAP in the Unified Electronic System of Public Procurement).

This method enabled contracting authorities to hold tenders according to procedure, that differs from already existing procedures (SPA, NAT, MEP), i.e. the evaluation of tender proposals of all bidders at the same time, during one phase. In particular, in case of announcement of a DAP tender, the bidders specify the price of their tender proposals and enjoy the right to reduce it only once, no additional rounds of e-bidding are held. At the same time, together with the reduction of tender proposal price the bidders are required to upload the cost breakdown, corresponding to the altered price, into the System. As well as, the documents certifying qualification data (if requested) are uploaded upon submission of a bid.



As a result, once tender commission technically evaluates and categorizes all the bidders, a contracting authority is given opportunity to award contract to the bidder with the lowest tender proposal price without any additional formalities.

Procurement procedures implemented within public procurement system since 2010 up to date:

PROCEDURE	ABBREVIATION	GROUNDS	IS ELECTRONIC PROCUREMENT REQUIRED?
Simplified Procurement (Direct contracting)	CMR	- Procurement of homogeneous goods up to 5,000 GEL - In cases of emergency permitted under law	No
E-TENDER: OPEN TENDER			
Simplified Electronic Tender	SPA	Procurement of homogeneous objects from 5,000 up to 200,000 GEL	Yes
Electronic Tender	SPA	Procurement of homogeneous objects above 200,000 GEL	Yes
Consolidated Tender	CON	Procurement of certain homogeneous goods on the basis of aggregated demand: fuel, computers, A4 papers, (mobile) telephone communication service, tire-covers.	Yes



PROCEDURE	ABBREVIATION	GROUND	IS THE ELECTRONIC PROCUREMENT REQUIRED?
Design Contest	CNT	Procurement of design related objects/projects under the decision of contracting authority, like architectural, engineering, planning, design projects.	Yes. SPA made contest procedure 100% electronic.
Two-Stage tender	MEP	Procurement of goods, services and construction works on the basis of price and other quantitative criteria. The best bidder is identified on the basis of price-quality ratio, calculated via the unique algorithm incorporated into the system, the so-called MEAT method.	Yes. On the first of August, 2016 SPA launched the so-called two-stage tender, or as it is called by the EU legislation - "Economically most advantageous e-tender".
E-tender without auction (Sealed Bid Auction)	NAT	Type of tender, which operates like the so-called "sealed bid auction". All the procedures are the same as in the case of reverse auction, however, instead of 3 additional rounds, the proposal is submitted only once. All the proposals, except for the best one, remain sealed (are not accessible for contracting authorities) until the tender is awarded the final status (except for the "Tender terminated" status).	Yes. On the first of July, 2016 the SPA launched the new procedure: E-tender without auction".
Different Acquisition Procedure for Construction Works	DAP	The procedure is conducted according to the so-called prequalification procedure. The bidders submit tender proposals, qualification documents, and cost breakdown. After the evaluation of all the bidders, if tender terms and conditions are met, contracting authority will invite the bidder with the lowest proposal price, in accordance with the established procedure, for the performance of the contract.	Yes. On the first of December, 2016 the SPA launched different procedure for procurement of construction works



Other mechanisms incorporated into the System

GEO Tender (Electronic procedure of procurement)	GEO	Procurement of goods or services through established special procedure, the validity period of which cannot exceed 2 years.
DEP Tender (Electronic procedure of procurement through donor's resources)	DEP	Procurement through donor's resources (WB, EIB)
Grant Contest (GRA)	GRA	Procedure, held on the basis of the principle of free competition, aiming at revealing the best grant application (under Georgian legislation - the grants issued by Georgian governmental agencies and local self-governance bodies under the initiative of various civil organizations for the implementation of special projects)



ELECTRONIC CATALOGUE (EMARKET)

eMarket is the catalogue of procurement objects and suppliers, generated by SPA, which aims at assisting contracting authorities in conducting pre-procurement preparatory works and market survey. eMarket contains data about procurement objects, suppliers, procurement categories (CPV Codes), producer countries, type/model, specifications, prices and terms and conditions of supply. The data, contained in eMarket are periodically updated and in future it will be enriched with information about other procurement objects and suppliers.

Detailed information about the model is given on Picture N1.

The screenshot shows the eMarket website interface. On the left is a search sidebar with filters for Procurement, CPV code, delivery region, and country. The main content area is titled "Buying facilities and suppliers of electronic catalog" and displays a table with 11 entries. Each entry includes an ID, title, supplier, price, and website link.

#	Title	Supplier	Price	Website
1	Silicon pistols	Ltd. "C - Here"	2.30	Q
2	Protective glasses	Ltd. "C - Here"	2.70	Q
3	Protective helmets	Ltd. "C - Here"	8.00	Q
4	LED lights	Ltd. "C - Here"	3.80	Q
5	Ei aksesuarebi	Ltd. "C - Here"	0.90	Q
6	E. Extensions	Ltd. "C - Here"	2.20	Q
7	On-sockets	Ltd. "C - Here"	2.30	Q
8	Electrical cables	Ltd. "C - Here"	0.30	Q
9	High-voltage cable	Ltd. "I & h"	24.50	Q
10	Power Transformer	Ltd. "I & h"	13475.00	Q
11	Power Transformer	Ltd. "I & h"	11025.00	Q

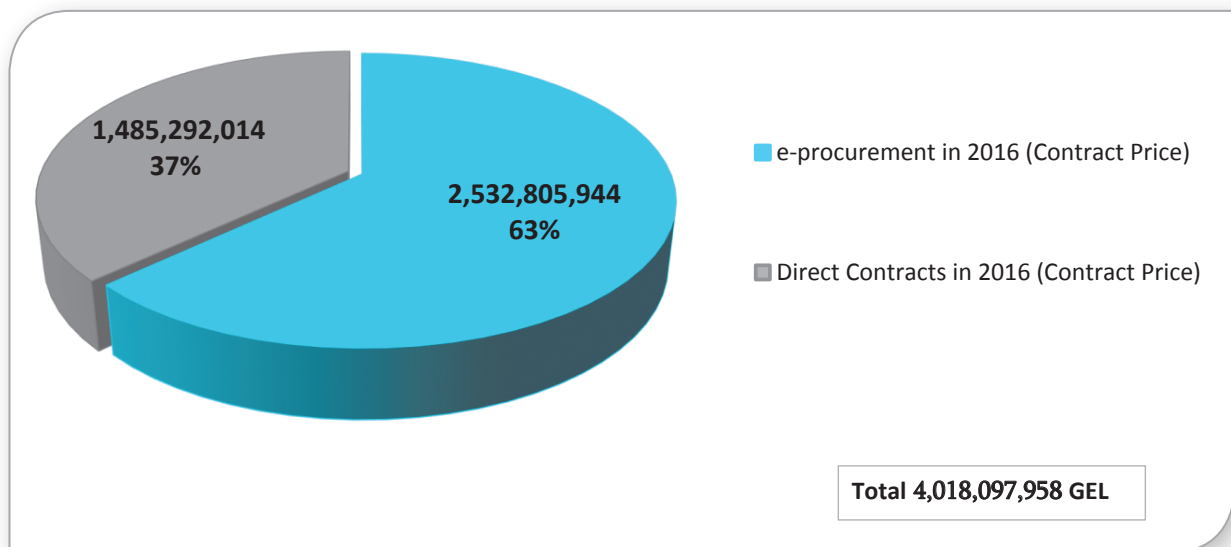
eMarket has search fields, which enable users to select the list of desired products, mark them and compare the specifications of each of them. Hence, a contracting authority finds it easier to study the market and make a desirable choice. As of today there are up to 6,000 entries in the list/catalogue of products registered within eMarket; however, the data are regularly added and updated.



KEY DATA ANALYSIS

In 2016 the net value of public procurement contracts amounted to 4,018,097,958 GEL. Out of them procurements worth of 2,532,805,944 GEL were conducted through electronic procedures, while the value of contracts awarded through simplified procurement amounted to 1,485,292,014 GEL.

Diagram N1: Net Value of public procurement contracts



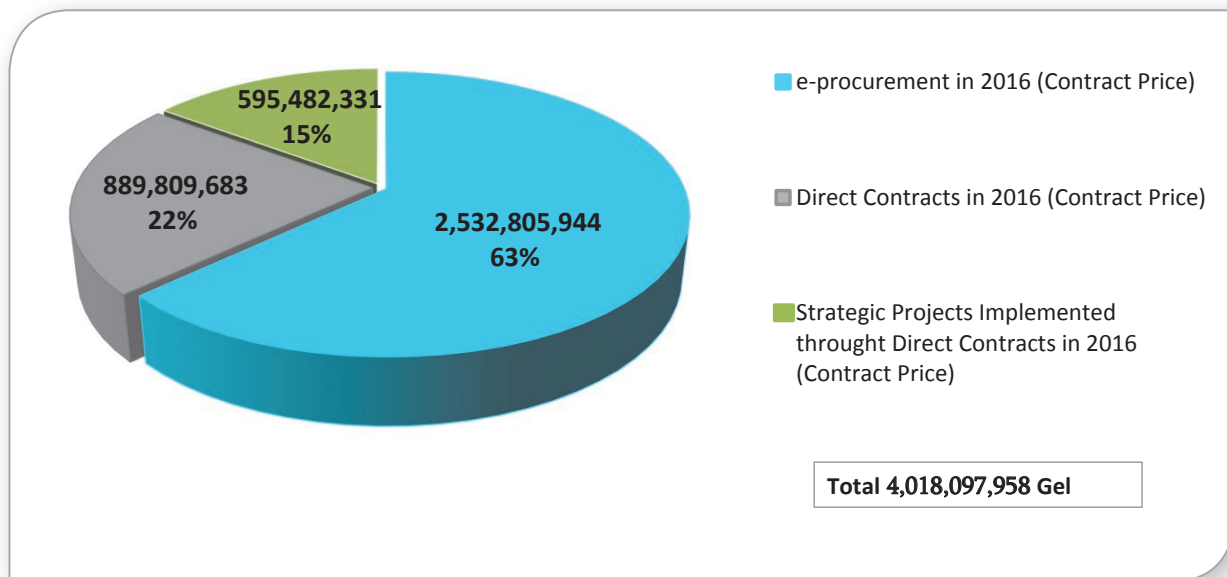
Simplified Procurement does not cover procurements bases on the special rules

As compared with the data for 2015, increased net volume of simplified procurements in monetary terms can be accounted for several objective factors: (i) firstly, the foregoing was conditioned by the increase of the country budget in general, and respectively of the resources allocated for public procurement purposes, what naturally and automatically conditioned increased volume of procurements below 5,000 GEL monetary threshold; (ii) owing to various incidents in the country in 2016, the urgent necessity situation have objectively occurred in certain cases, e.g.: natural disasters, the necessity of urgent recovery and improvement of infrastructure, fulfilment of international commitments or better organization of sport events of global scale; and finally (iii) the implementation of at least four grand projects in the country provided for irregular increase of statistical ratio of the share on simplified procurements. It should be stressed out, that the implementation of these four projects were of particular strategic importance for the development of thermal energy, revolutionary changes in railway transport



field, also for increased role of railway in tourism development, arrangement of world championships up to par. The resources of only these four projects, which were not included in simplified procedure segment due to objective reasons, amounted 595,482,331 GEL. This type of procurements could not have been accomplished through traditional, well-established procedures prescribed by current law . However, SPA managed to successfully extend the effective regulations to such exemptions, that was reflected in summarized statistical data. It is worth mentioning, that in the case of non-inclusion of the resources of the aforementioned four projects into above annual statistics, the volume of simplified procurement would have amounted to 889,809,683 GEL (26%) in 2016, which is 7 percent less than the data for 2015.

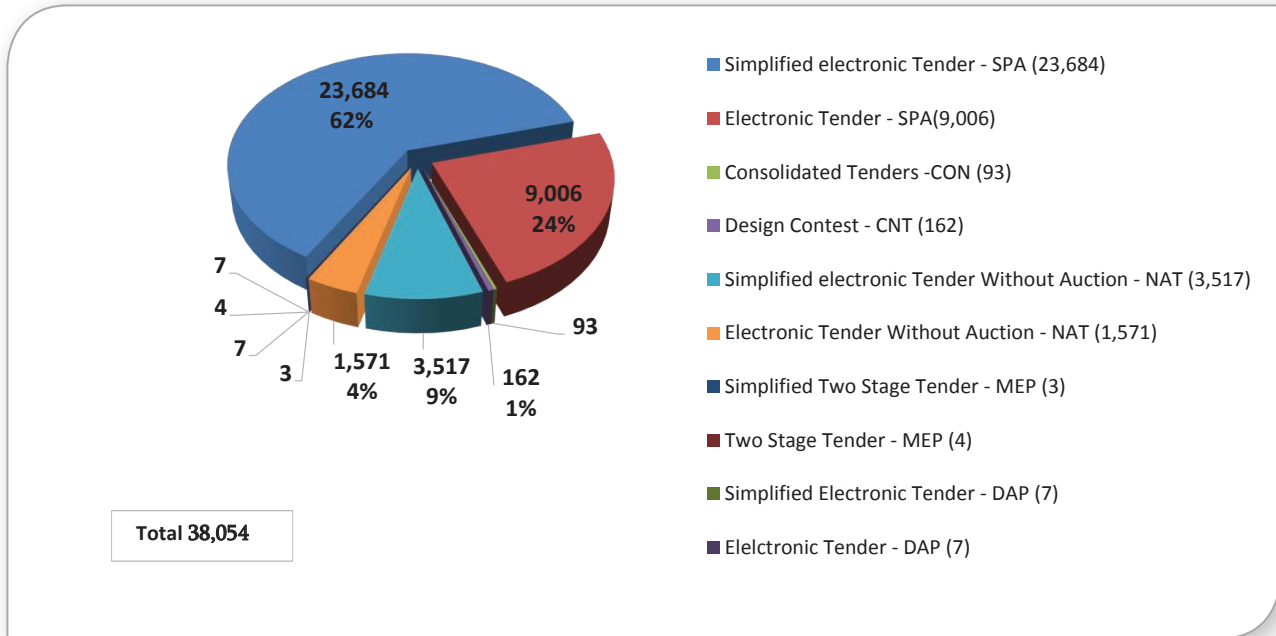
Diagram N2: Net value of public procurements contracts (detailed)



The number of tenders, announced in 2016 amounted to 38,054, exceeding the same data for previous year by 7%. Distribution of these tenders according to procurement mechanisms is shown on Diagram N3:



Diagram N3: Distribution of announced tenders according to procurement procedures



The data do not cover GEO and DEP tenders.

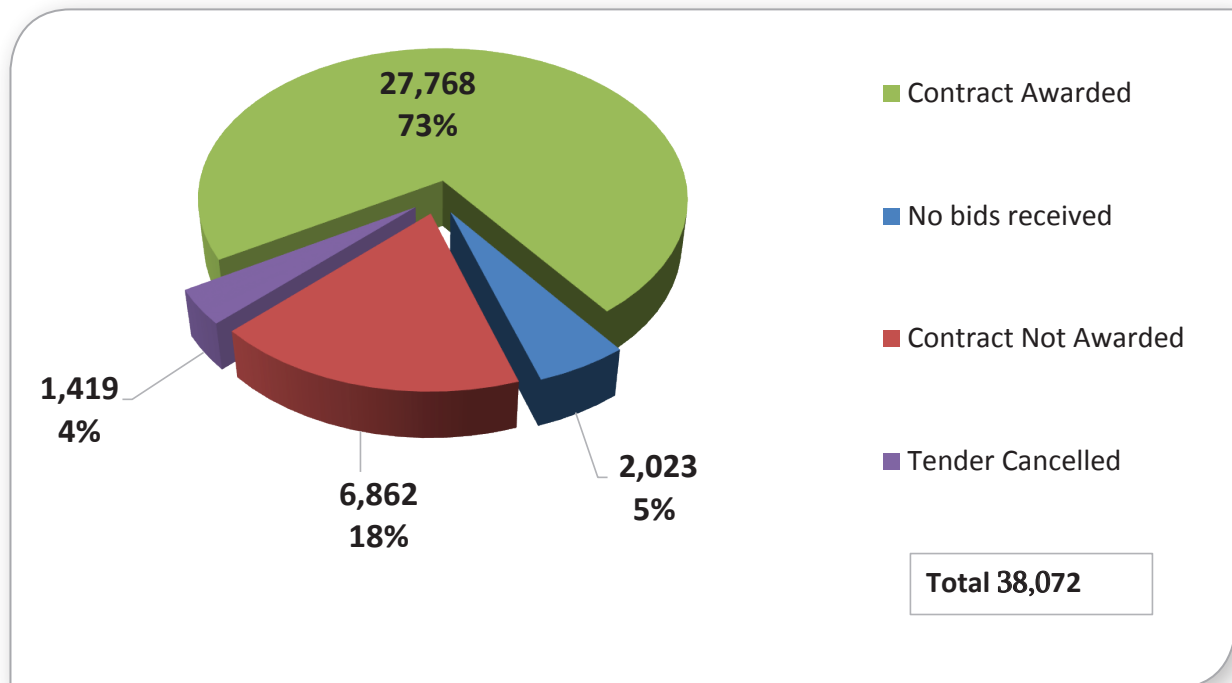
It should as well be mentioned, that the number of electronically announced design contests has considerably increased in 2016 and amounted to 162, what is twice as much as the same number for 2015. In total 85 contracts were executed with regard to contests announced in 2016, the net value of which amounted to 19,122,411 GEL.

Worth mentioning is also the statistics of recently implemented tendering mechanism: “sealed bid auction”. In total 3,018 contracts were awarded from the 1st of January 2016 to 31st of December 2016 through tenders, announced according to this procedure, the net value of which amounted to over 414 million GEL.



In 2016 the final status was awarded to 38,072 tenders. At the same time, in total 27,768 contracts were executed during the reporting year. The amount of contracts executed in 2016 exceeds the same data for 2015 by 11%.

Diagram N4: Distribution of tenders according to final statuses in 2016



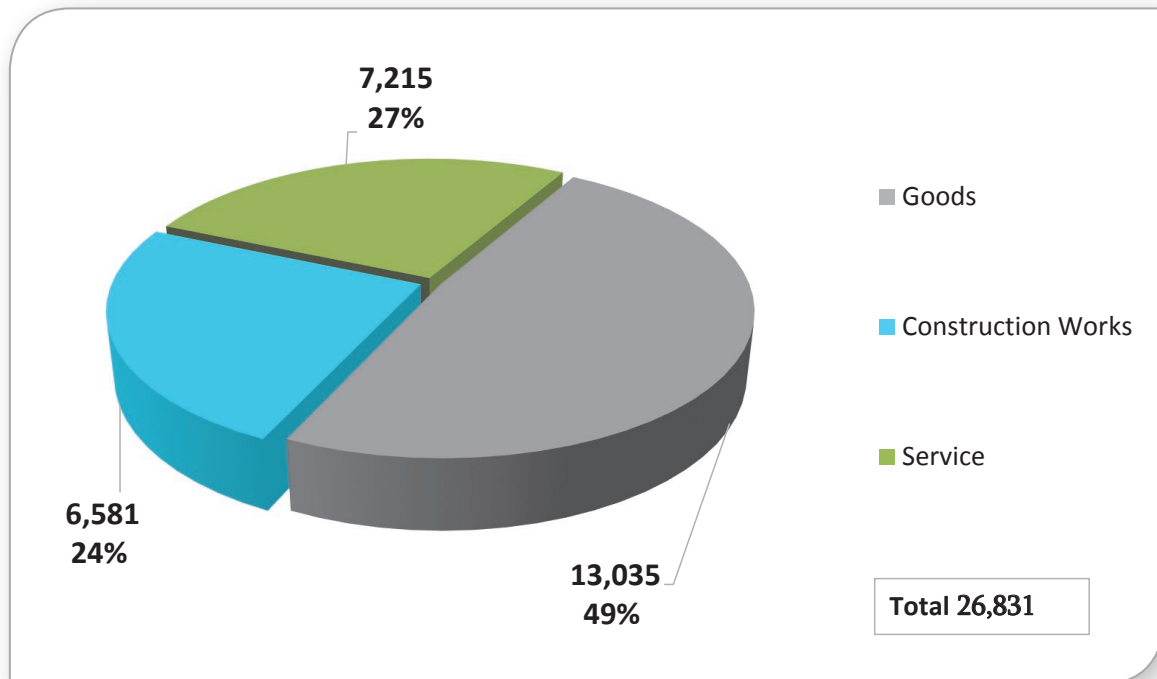
The data do not cover GEO and DEP tenders, covers "trading with pricelists."

In 2016 the tenders with "Contract awarded" status accounted for 73% of all tenders, which exceeds the same showing for 2015 by 4 percentage points (69% in 2015).



In 2016 the estimated net value of tenders with awarded contracts amounted to 2,550,507,717 GEL, whilst the value of contracts - to 2,272,072,677 GEL. Correspondingly, the electronic system of public procurement allowed for the economy of 278,435,040 GEL during the reporting year, which constitutes 10.9% of net estimated value. Distribution of electronic tenders according to their number and contract value and economy are given on Diagrams N5 and N6.

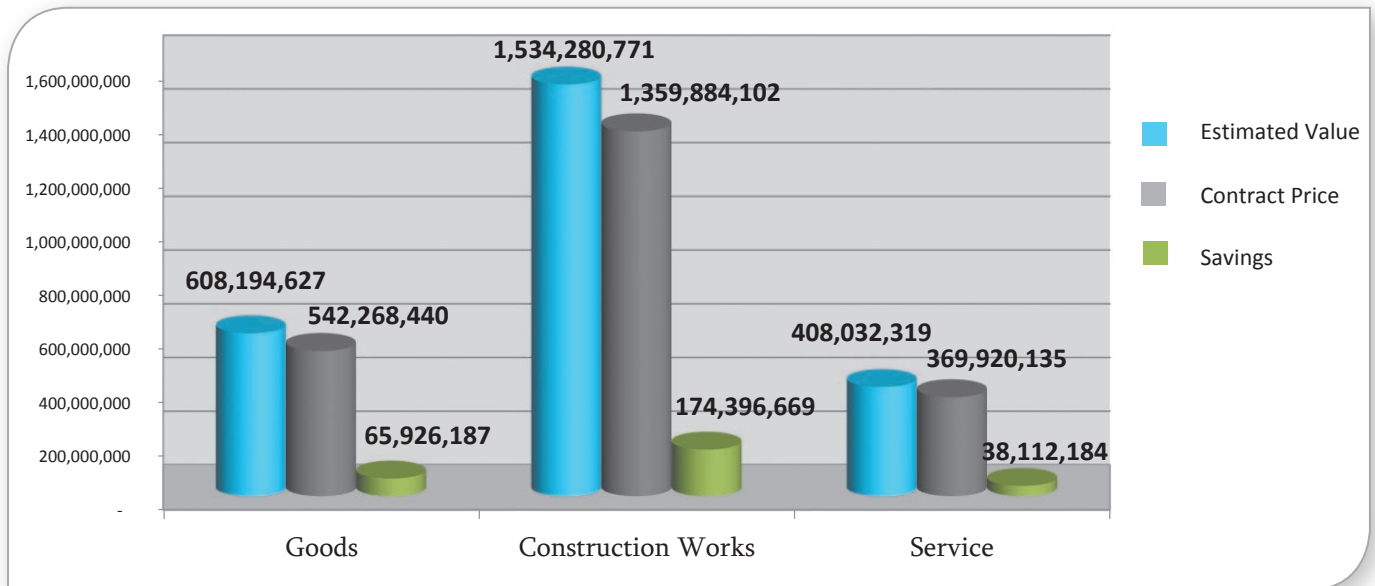
Diagram N5: Distribution of the number of tenders held in 2016 according to procurement objects



The data do not cover GEO and DEP tenders and "trading with pricelists."



Diagram N6: Distribution of the tender values held in 2016 and economy according to procurement objects



The data do not cover GEO and DEP tenders and "trading with pricelists."

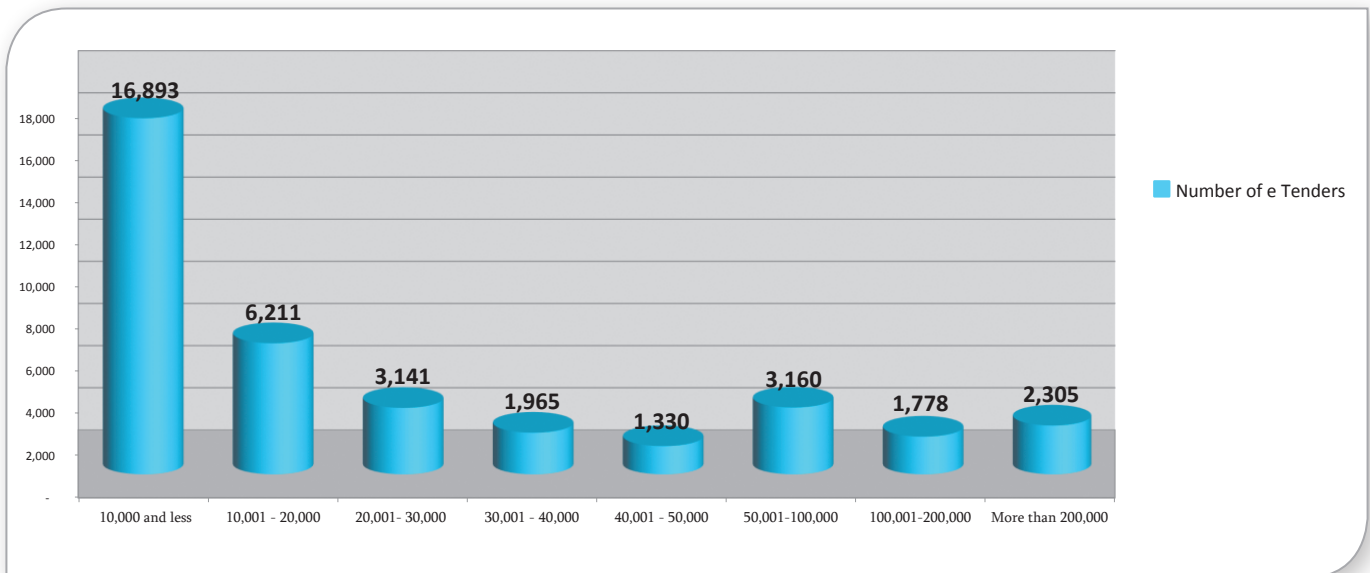
	ESTIMATED VALUE	CONTRACT VALUE	ECONOMY
Goods	608,194,627 (24%)	542,268,440 (24%)	65,926,187 (24%)
Construction works	1,534,280,771 (60%)	1,359,884,102 (60%)	174,396,669 (62%)
Services	408,032,319 (16%)	369,920,135 (16%)	38,112,184 (14%)
Total	2,550,507,717	2,272,072,677	278,435,040

Quantitatively, majority of conducted tenders - 49% - are tenders for the procurement of goods, the remaining 24% and 27% - for construction works and services, respectively. At the same time, it should be noted, that the situation is quite different with regard to the contract values: 60% of net amount accounts for construction works, 16% - for services and 24% - for goods.



The estimated value of 46% of tenders announced in 2016 within the Unified Electronic System of Public Procurement was less than 10,000, whilst the share of tenders with estimated value up to 50,000 amounted for 80%. Based on the foregoing, it can be said, that the participation in public procurement is also accessible for small businesses.

Diagram N7 Distribution of tenders announced in 2016 according to estimated value

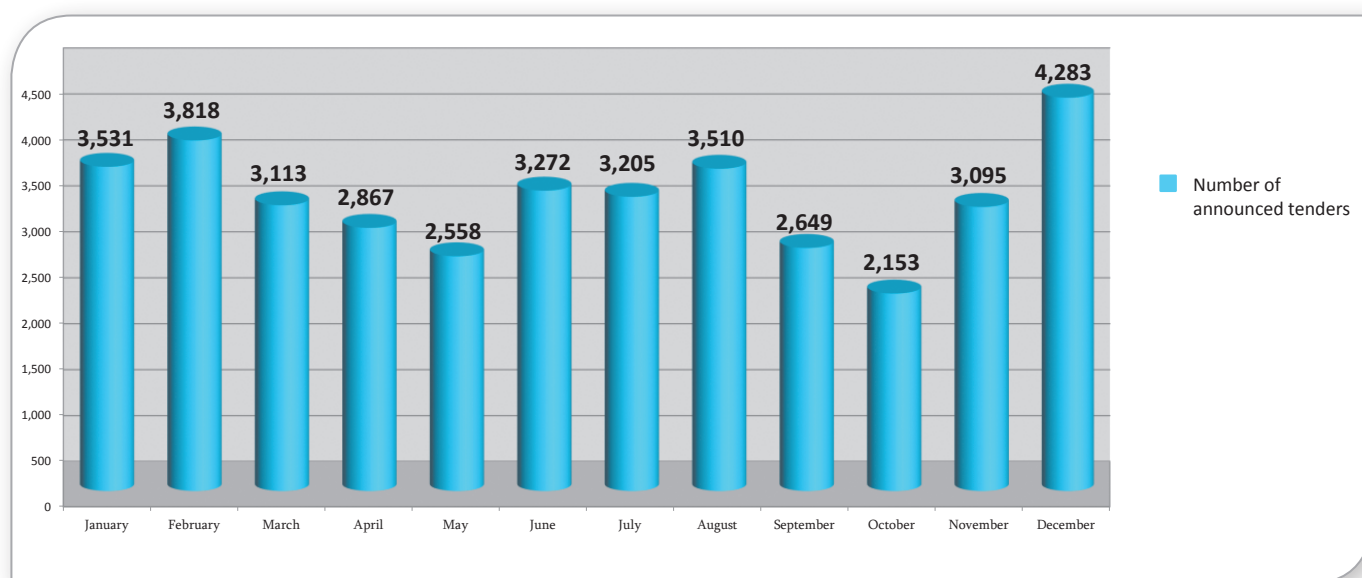


The data do not cover GEO and DEP tenders and "trading with pricelists."



In 2016, like in previous years, the number of tenders announced significantly prevails in December; respectively, the comparison of the number of tenders according to months with the same data of the past year will demonstrate that there is no radical changes in basic statistics.

Diagram N8: Distribution of tenders announced in 2016 for each month

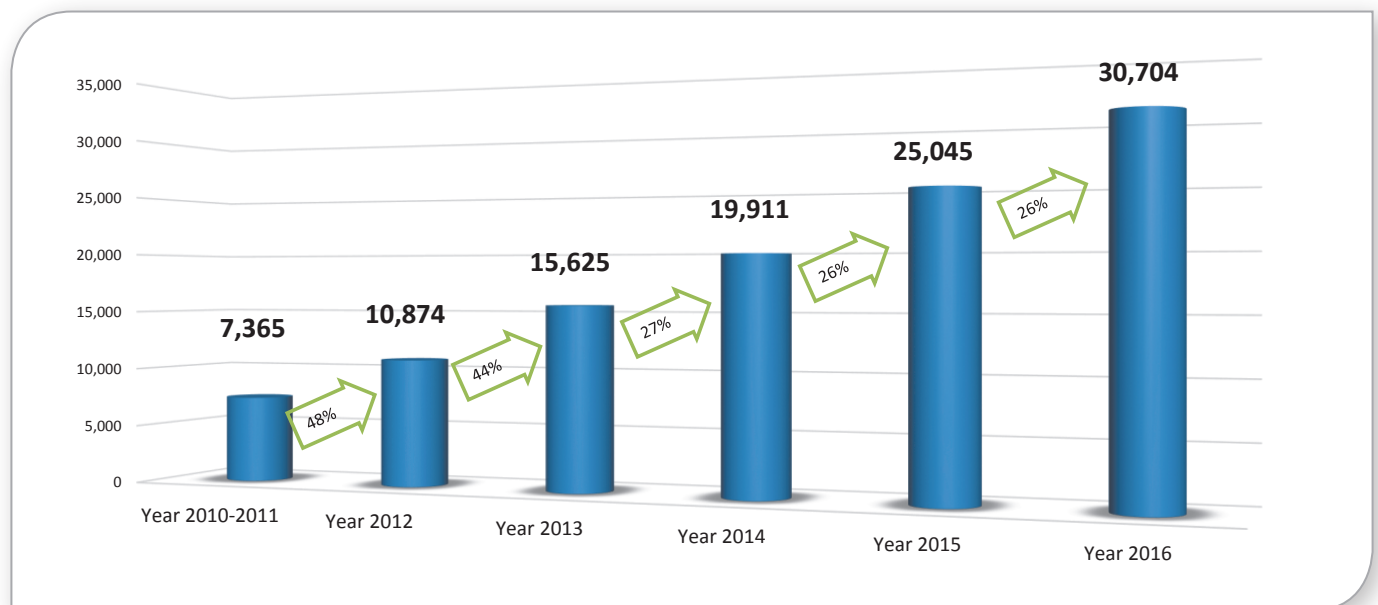


The data include tenders with pricelists.



The number of suppliers registered within the Unified Electronic System by the end of 2016 amounted to 30,704. Out of them, 29,581 were resident suppliers and 1,123 - non-residents. Diagram N10 shows the distribution of registered suppliers according to years.

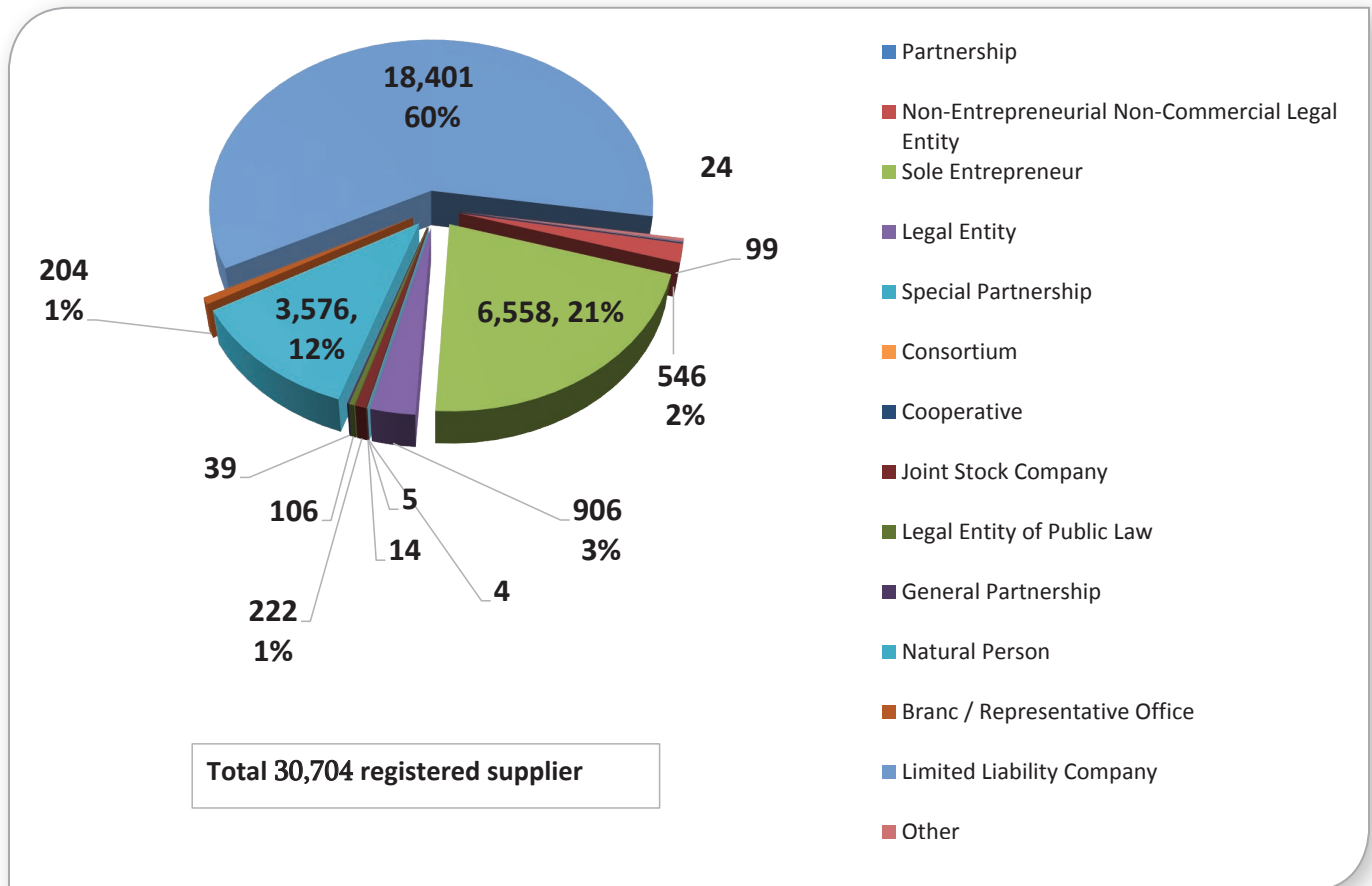
Diagram N9. Distribution of registered suppliers in 2010-2016



Majority of the suppliers registered within the system are limited liability companies (LLC) and sole entrepreneurs (SE). Distribution of registered suppliers according to their organizational-legal form can be found on Diagram N10.



Diagram N10: Distribution of suppliers registered within the system according to their organizational-legal form

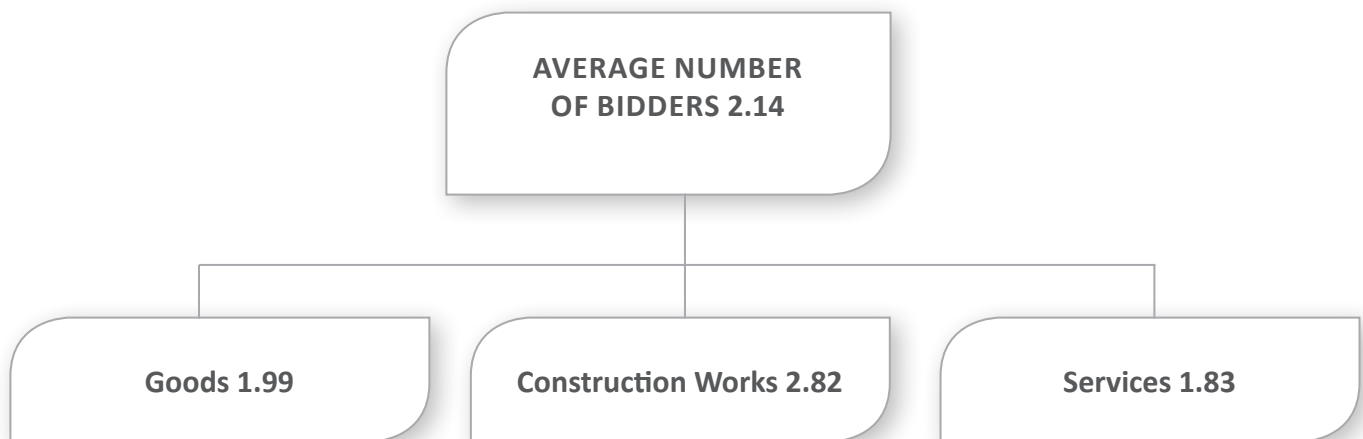


The number of non-resident suppliers, registered within the system, amounted to 1,123 in 2016, which exceeds the same number for the past year by 60%. This fact again speaks for the openness of the Unified Electronic System of Public Procurement and its accessibility for all the international economic units. Diagram N11 shows the distribution of non-residents, registered within the system, according to countries.



In 2016 the average number of bidders in tenders amounted to 2.14, which is approximately 6% higher than the average participatory figure for the past year. The number of bidders according to supply of goods, contraction works and services is distributed as follows:

AVERAGE NUMBER OF BIDDERS



Data includes only tenders which have status "Contract is awarded". The data do not cover GEO and DEP tenders, includes "trading with pricelists."

Furthermore, it is interesting to review statistics of certain procurement procedures and contracting authorities. First of all, the mention shall be made of the absolute data of economy according to procurement procedures. Like in the past years, the highest economy ratio is again characteristic for works for complete or part construction and civil engineering works. The net volume of economy in this sector exceeded 142 million. In addition, the high showing is recorded in the category of engineering services, both according to the volume and percentage of absolute economy.



Table N1: Top 10 procurement categories according to savings

	CPV CODE	ESTIMATED VALUE	CONTRACT PRICE	SAVINGS ON CPV CODE	%
1	45200000-works for complete or part construction and civil engineering work	1,319,896,773	1,177,588,016	142,308,757	10.80%
2	45400000-Building completion work	125,381,998	106,389,653	18,992,345	15.10%
3	71300000-Engineering services	75,376,761	62,015,520	13,361,241	17.70%
4	45300000-Building installation work	58,580,493	50,352,638	8,227,855	14.00%
5	33600000-Pharmaceutical Products	99,756,097	93,247,039	6,509,058	6.50%
6	44100000-Construction materials and associated items	33,112,207	27,232,907	5,879,300	17.80%
7	30200000-Computer equipment and supplies	42,168,411	36,844,719	5,323,692	12.60%
8	33100000-Medical Equipment	47,497,872	42,613,938	4,883,934	10.30%
9	45100000-Site preparation work	30,421,507	25,553,795	4,867,712	16.00%
10	34300000-Parts and accessories for vehicles and their engines	17,755,099	13,998,788	3,756,311	21.20%

Like in previous year, the highest net economy through tenders was made by Tbilisi City Hall - the economy exceeded 18 million GEL. The City Hall is followed by Highways Department of the Ministry of Regional Development and Infrastructure of Georgia and LTD Georgian Amelioration.



Table N2: Top 10 contracting authorities according to savings

N	PROCURING ENTITY	SAVINGS
1	Tbilisi City Hall	18,958,465
2	Ministry of Regional Development and Infrastructure of Georgia, Department of Roads of Georgia	16,169,873
3	Georgian Amelioration LTD	14,712,383
4	Educational and Scientific infrastructure Development Agency	14,050,524
5	LLC Gardabani TPP	10,839,778
6	LTD "Georgia Gas Transportation Company"	8,229,163
7	Ltd Stadium	5,942,216
8	LTD "TbilService Group"	5,444,944
9	The Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia	5,259,794
10	JSC "Georgian Oil and Gas Corporation"	3,890,508

As is shown by table below, the difference between certain procurement categories according to average participation rate is rather high. For example, if the number of average competition in the field of Building completion work is 3.31, the same number in the field of telecommunications services accounts to 1.2. Such figures may serve as an incentive for the representatives of business community - for them to take interest in mentioned procurement procedures.



Table N3: Top 10 procurement categories according to average participation

N	CPV CODE	NUMBER OF TENDERS	NUMBER OF SUPPLIERS	AVERAGE PARTICIPATION
1	45400000-Building completion work	1,423	4,709	3.31
2	39800000-Cleaning and polishing products	133	387	2.91
3	45100000-Site preparation work	283	816	2.88
4	39100000-Furniture	585	1,619	2.77
5	45300000-Building installation work	851	2,327	2.73
6	79800000-Printing and related services	586	1,591	2.72
7	90900000-Cleaning and sanitation services	276	749	2.71
8	18200000-Outerwear	109	294	2.7
9	22400000-Stamps, Cheque forms, Banknotes, stock certificates, trade advertising material, catalogues and manuals	154	410	2.66
10	45200000-works for complete or part construction and civil engineering work	4,024	10,693	2.66

To make these data significant, the statistics is based on those CPV categories, with regard to which more than 100 tenders are announced during a year.



Table N4: Top 10 procurement categories with lower average participation

N	CPV CODE	NUMBER OF TENDERS	NUMBER OF SUPPLIERS	AVERAGE PARTICIPATION
1	64200000-Telecommunication Services	213	255	1.2
2	92600000-Sporting Services	161	201	1.25
3	72400000-Internet Services	253	330	1.3
4	85100000-Health Services	139	183	1.32
5	60100000-Road Transport Services	371	493	1.33
6	50100000-repair, maintenance and associated services of vehicles and related equipment	311	444	1.43
7	34100000-Motor vehicles	197	286	1.45
8	33600000-Pharmaceutical Products	774	1,150	1.49
9	42100000-Machinery for the production and use of mechanical power	106	170	1.6
10	98300000-Miscellaneous services	137	220	1.61

To make these data significant, the statistics is based on those CPV categories, with regard to which more than 100 tenders are announced during a year.

Moreover, interesting are the estimated values of announced tenders according to contracting authorities. As is shown by the table, the Ministry of Regional Development and Infrastructure of Georgia, Department of Roads of Georgia has announced 234 tenders, the estimated value of which exceeds 570 million GEL that will also be interesting for relevant business entities. The contracting authority concerned was the leader in 2015 as well according to estimated value of announced tenders; however, this year the data considerably exceeds the similar figure for the past year.



Table N5: Top 10 procuring entities according to estimated value of announced tenders

N	PROCURING ENTITY	NUMBER OF ANNOUNCED TENDERS	ESTIMATED VALUE
1	Ministry of Regional Development and Infrastructure of Georgia, Department of Roads of Georgia	234	570,168,023
2	Tbilisi City Hall	591	158,530,920
3	The Ministry of Internal Affairs of Georgia	440	111,882,042
4	JSC "Georgian Oil and Gas Corporation"	170	90,872,928
5	Educational and Scientific infrastructure Development Agency	126	73,283,238
6	Georgian Amelioration LTD	244	69,863,967
7	LEPL "L. Sakvarelidze Disease Control and Public Health Service Centre"	241	56,737,267
8	Tbilisi Transport Company	415	50,451,604
9	LLC Gardabani TPP	93	48,398,606
10	Agency of the Social Service	193	46,362,682



As for the number of announced tenders, top three positions according to data for 2016 are occupied by Tbilisi City Hall, Tbilisi State Medical University and JSC “Georgian State Electric System”. In 2015 the first three contracting authorities in the same category were: Georgian Railways, Tbilisi City Hall, Ministry of Defence of Georgia.

Table N6: Top 10 procuring entities according number of announced tender

N	PROCURING ENTITY	NUMBER OF ANNOUNCED TENDERS	ESTIMATED VALUE
1	Tbilisi City Hall	591	158,530,920
2	Tbilisi State Medical University	540	18,518,135
3	JSC "Georgian State Electric System"	485	28,509,387
4	Self-city Kutaisi City Hall	466	28,314,216
5	STATE SECURITY SERVICE OF GEORGIA	465	39,440,271
6	Dusheti Municipality	459	11,136,613
7	The Ministry of Internal Affairs of Georgia	440	111,882,042
8	The Suboffice - the Border Police of the Ministry of Internal Affairs of Georgia	428	12,431,607
9	LTD "Acad. N. Kipshidze Central University Clinic"	423	23,455,974
10	The Ministry of Defence of Georgia	422	32,078,374



AGREEMENT OF SIMPLIFIED PROCUREMENT

When speaking about simplified procurement, the mention should be made of legislative amendments, introduced in 2015, which imply the approval of simplified procurement in case of specific grounds with the SPA.

Subject to agreement with SPA are the simplified procurement, conduct of which are conditioned by the following four grounds:

1. Supply of the procurement object is the exclusive right of a single person;
2. There exists an urgent necessity;
3. To prevent the deterioration of the quality of procurement object procured from the supplier or ensure further exploitation of procurement object it is necessary to procure from the same supplier or the subcontractor envisaged by the contract executed with the same supplier;
4. Restricted timeframes are set for unimpeded execution of some of the state and public importance event.



Overall number of applications, filed with the simplified procurement agreement module during the period from the 1st of January 2016 to 31st of December 2016 amounted to 3,760. Their distribution according to grounds of application is given on Diagram N12.

Diagram N12: Distribution according to grounds of application

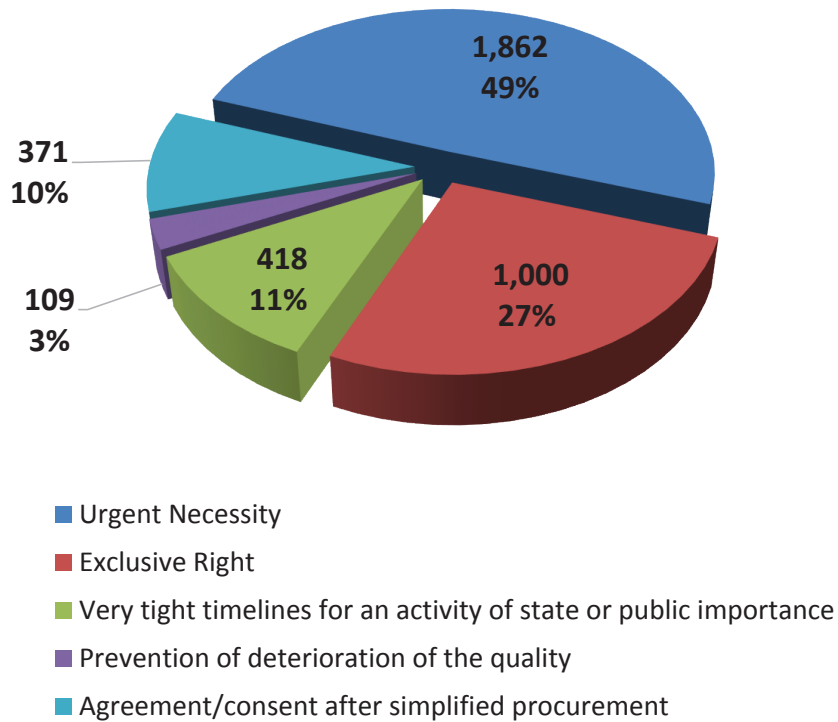
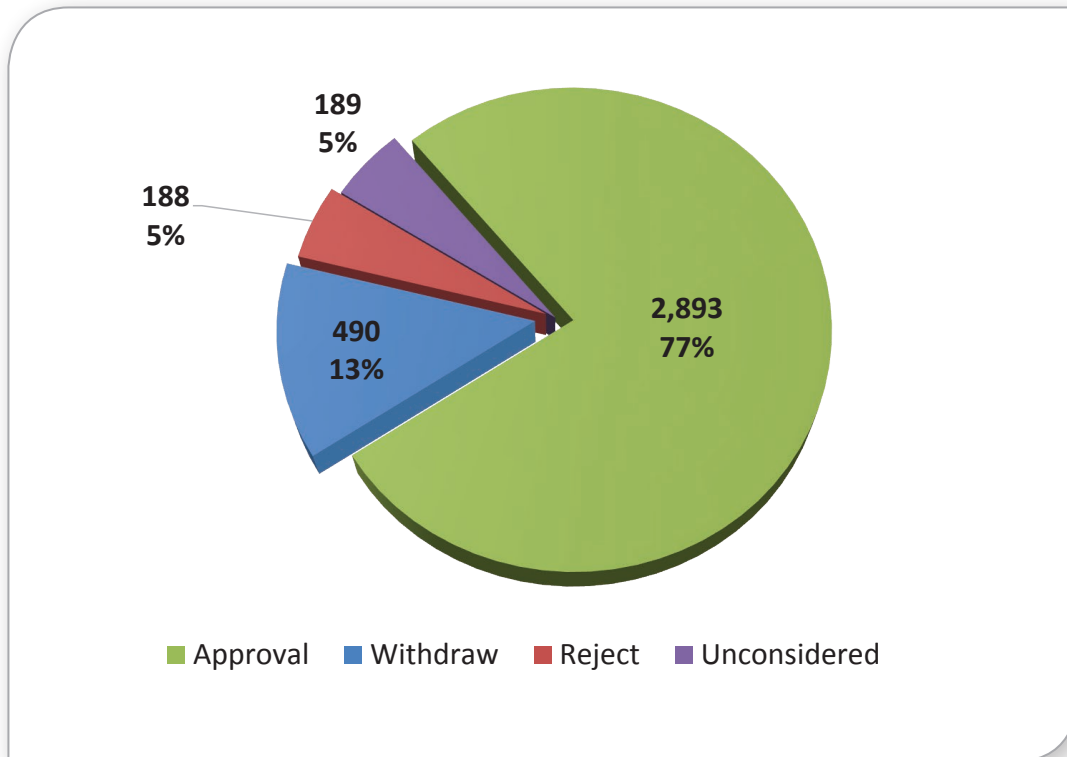




Diagram N13: Distribution of filed applications according to statuses



The diagram above demonstrates, that 77% of applications were approved, and the share of rejected applications makes 23%.



Statistical data on application to the SPA by contracting authorities and decisions made thereby during the period from the 1st of January 2016 to 31st of December 2016 are given in Table N7:

BASIS OF ADJUSTMENT	APPROVAL	WITHDRAW	REJECT	UNCONSIDERED	TOTAL
Urgent Necessity	1,399	260	92	111	1,862
Exclusive Right	820	103	29	48	1,000
Very tight timelines for an activity of state or public importance	274	83	51	10	418
Prevention of deterioration of the quality	65	28	8	8	109
Agreement/consent after simplified procurement	335	16	8	12	371
Total	2,893	490	188	189	3,760

In total, based on the analysis of overall statistical data, it can be said the net percentage ratio of simplified procurement subject to agreement with the SPA has decreased by 25% as compared with the previous year.



IMPROVEMENTS TO LEGAL FRAMEWORK - NOVELTIES IN REGULATIONS

In order to improve legal framework a number of amendments were introduced in 2016 in bylaws, regulating public procurement, which further enhanced and regulated certain “play by the rules” in public procurement, which in turn stimulates the economic growth and further development of business sector.

In particular:

1. The Procedure and the Terms and Conditions of Maintenance of White List was approved - the preconditions for registration in the White List were described in details, furthermore it was established, that 1,000,000 GEL turnover is not the only mandatory requirement for registration in the White List - it is possible to register in the White List on the basis of duly performed contracts.

As a result, according to the new normative act, suppliers, whose turnover for the past three years did not amount to 1,000,000 GEL nonetheless have duly performed at least 30 public procurement contracts during the same period, got a possibility of registration in the White List. At the same time, for the registration in the White List, it became mandatory to have at least 200,000 GEL turnover within last 3 years starting from the day of applying in the White List or at least five duly performed public procurement contracts during the same period.

The amendment also concerned the certificate to be presented by a supplier for the registration in the White List - specifically, if until now it was required for the certificate to certify due fulfilment of public procurement contract of at least 50,000 GEL value, now the supplier is required to present at least two certificates on due fulfilment of public procurement contracts, issued by different procuring entities. At the same time, the value of the contract was reduced to at least 5,000 GEL.

It should be mentioned that the new procedure of maintenance of the White List detailed whether what document is required for which requirement, also the procedures, which should be followed by the supplier for the registration in the White List.

As a result of the above amendments, the SMEs were given the opportunity to get registered in the register of qualified suppliers, participating in procurements procedures.



2. The question of participation in tenders as partnerships was regulated. According to the amendment, two or more suppliers are now entitled to unite on the basis of a common activity (partnership) agreement to jointly participate in a tender. The amendment aims at increased competition in public procurement field and promotion of SMEs, precisely when the entities willing to participate in a tender do not meet tender requirements and conditions separately and, respectively, are not able to participate in a tender; from now on they are given the opportunity to unite their financial, material and technical capacities and jointly win a tender. At the same time, it should be mentioned that the members of partnerships are jointly accountable to contracting authorities.
3. The Procedure of Holding Two-stage eTender and Two-stage Simplified eTender² was drafted with regard to new procurement procedure, introduced in 2016; in addition to that, the amendments were introduced into the Order of the Chairman of the SPA, in particular: the procedure on announcement of a sealed bid auction, the procedure of electronic bidding without additional rounds and different procedure of holding a tender announced for the procurement of construction works were drafted.
4. Resolution N321 of the Government of Georgia on Approval of the List of State Secrecy Related Public Procurement Objects, as foreseen by the Law of Georgia on State Secrecy, and of Procurement Procedure (dated July 11, 2016) was adopted under intensive participation of SPA. The Resolution provides for the list of classified public procurement objects, procurement procedures and the procedure for its conduct, the rights and obligations of contracting authorities and suppliers, terms and conditions on control of award, performance and execution of contracts execution. Respectively, the uniform standard was set for all the authorized contracting authorities.
5. The procedure on changes to the decision to award simplified procurement, which had previously been approved by and agreed with the SPA, was defined, in particular any amendment, increasing procurement value or/and extending contract period, became subject to an agreement with SPA. With the exception of the cases, when contracting authority extends the initial contract period only once, for maximum 14 days.
6. The question-answer module was regulated - a special requirement was set for contracting authorities to answer the posed questions within maximum 1 (One) business day. Furthermore, it was set, that both the question and the answer should be detailed and clear.
7. The amendments were introduced into operating procedures of public procurement related Dispute Resolution Board, under which the timelines of appeal were changed, the new form of appeal was introduced and the procedure of procurement suspension became automated.

² http://procurement.gov.ge/getattachment/ELibrary/LegalActs/oretapiani_tenderis_wesi.pdf.aspx



Important novelty is related to the draft Law prepared by SPA, introducing amendments to the Law of Georgia on Public Procurement. Elaboration of the draft law was conditioned by two circumstances - approximation of procurement regulatory framework with basic standards regulating the award of contracts, as set by Article 144 of the Association Agreement and change into the appeal procedure.

Within the framework of international obligations, the law introduces:

- I. Principles of proportionality and equal treatment;
- II. Option to use performance and functional specifications when describing a procurement object, along with technical ones;
- III. Reasonable timelines for announcement of tender. To this end only one electronic tender will exist, various monetary thresholds will be set for supplies, services and construction works, concurrent with new thresholds timelines will be established.

With regard to the appeal procedure, the institute of an interested party will be introduced - a selection-evaluation related decision will be appealed only by a tender participant, whose right was violated; furthermore, the fee for filing an appeal will be introduced, the amount of which will make 2% of the estimated value of the procurement, but not less than 100 and not more than 500 GEL. The fee for filing an appeal is subject to refund, except for the case, when the appeal is dismissed.

It should be noted that the abovementioned draft Law was approved at the session of the Government of Georgia on December 29, 2016 and was submitted to the Parliament of Georgia through the legislative initiative procedure.



DISPUTE RESOLUTION BOARD

Public confidence in Dispute Resolution Board is being continuously increased and only in 2016 in total **1,573** complaints were submitted to the Dispute Resolution Board with regard to SPA procurements; this number exceeds by 55% the number of complaints filed in 2015.

Diagram N14 : Statistics on complaints related to procurement appeals filed with the Dispute Resolution Board in 2011-2016

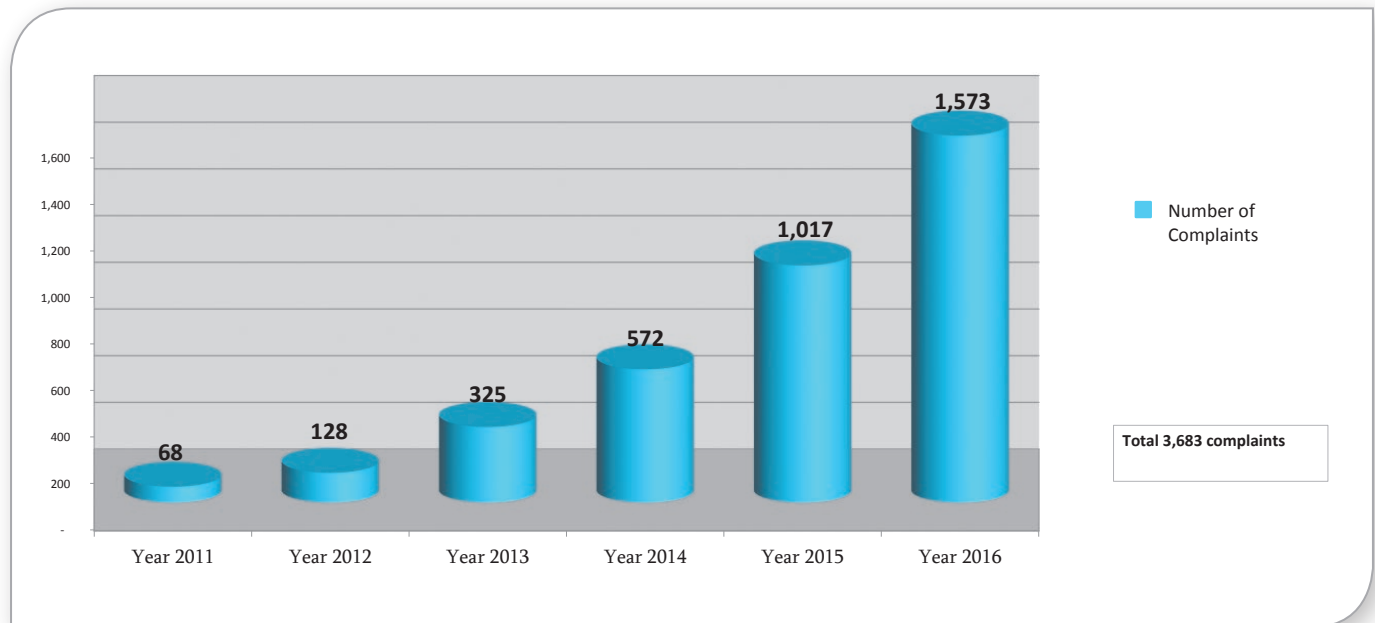
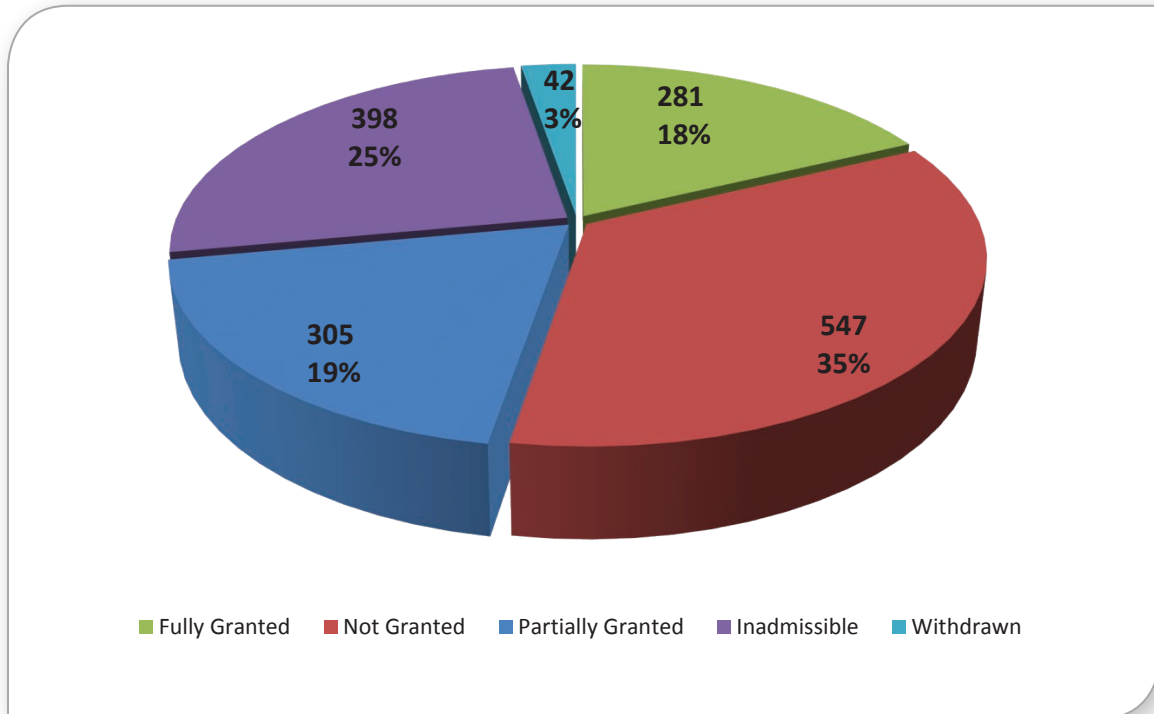




Diagram N 15: Distribution of complaints submitted to the Dispute Resolution Board according to their statuses



Among **1,573** procurement-related complaints filed with SPA's Dispute Resolution Board leading are the claims on the revocation of unlawful decisions/acts of contracting authorities.



Diagram N16: Claims under appeals filed with the Dispute Resolution Board

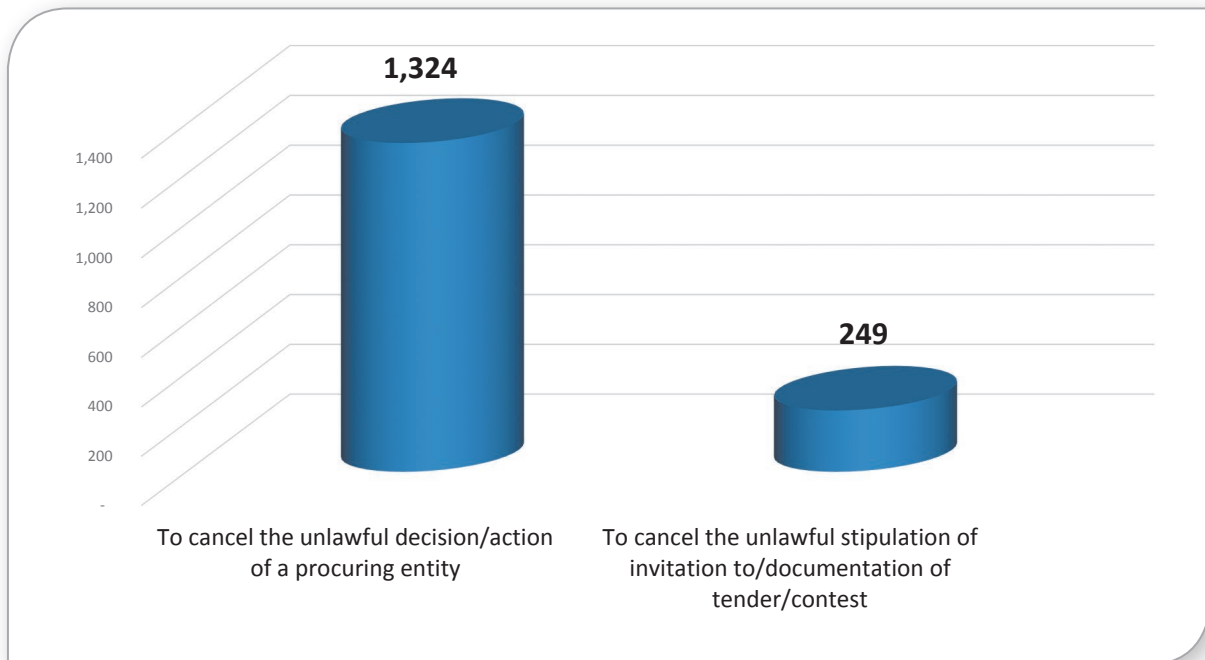




Table N8 : Distribution of appeals filed with Dispute Resolution Board according to procurement procedures and statuses:

PROCUREMENT PROCEDURES	SPA (1372)		NAT (193)		DAP (2)		CNT (6)
	Simplified electronic tender (583)	Electronic tender (789)	Simplified electronic tender (92)	Electronic tender (101)	Simplified electronic tender (2)	Electronic tender (-)	
Fully Granted	107	137	18	18	-	-	1
Not Granted	181	295	29	39	1	-	2
Partially Granted	115	155	20	15	-	-	-
Inadmissible	169	177	23	25	1	-	3
Withdrawn	11	25	2	4	-	-	-
Total	583	789	92	101	2	-	6

It should be noted, that decisions made by Dispute Resolution Board were analysed and generalized in 2016, based on which materials on generalized practice of decisions made by Dispute Resolution Board were published on SPA's official web-page (www.procurement.gov.ge).

The data published on the webpage aims at the identification of important and active issues, revealed by Dispute Resolution Board in the course of its operations and their communication to interested persons.

Interpretations of Dispute Resolution Board are accompanied by corresponding decisions and are organised according to specific topics related to public procurement. At the first stage, 15 important interpretations (with accompanying decisions) were published on the webpage, which will be further supplemented by other interpretations.



The practice of generalization of decisions made by Dispute Resolution Board, will promote uniform application of public procurement regulatory framework, which in turn will enhance efficient and flawless conduct of public procurement procedures. The foregoing will assist contracting authorities to develop uniform and consistent approaches regarding certain issues, which will be compatible with the requirements of public procurement regulatory framework. Furthermore, acquaintance with this practice will reduce the probability of making the same mistakes by bidders.

Apart from the abovementioned, the generalized practice is equally important for every person willing to participate in public procurement, in order to enable them to fully comply with the requirements of the regulatory framework, in case of participation in public procurement.



LEGAL PROCEEDINGS AND REPORTS ON ADMINISTRATIVE OFFENCES DRAWN UP BY SPA

The SPA has drawn up 98 reports on administrative offences against 238 persons within its competence. The court has reviewed filed administrative infringement reports and in every single case it has upheld all the qualifications, given by the SPA and found individuals concerned guilty of commitment of the administrative offences.

Court Proceedings

In total 218 cases were reviewed by the court in 2016. Out of them 98 cases concerned the administrative infringement reports drawn up by the SPA, 76 cases - decrees of the Chairman of the SPA issued with regard to registration in the Black List, 36 cases related to the decisions of Dispute Resolution Board, 2 (Two) cases - consolidated tenders, 1 (One) was a civil litigation about the refund of guarantee amount and 5 (Five) cases concerned civil actions filed by SPA in relation to refund of refund.

As mentioned above, out of 1,573 appeals filed with Dispute Resolution Board in 2016, 36 decisions of the Board were appealed to the court. The first instance court upheld the appealed decisions.

In addition to that, during 2016 76 decrees (of 834) of the Chairman of the SPA issued with regard to Black List were appealed. In 74 cases the court considered, that SPA's act was legitimate, and in 2 (Two) cases it partially satisfied the actions and SPA was directed to repeatedly investigate the circumstances of the cases. The decisions of the first instance court (in 2 cases) were appealed with the Appeals Court.



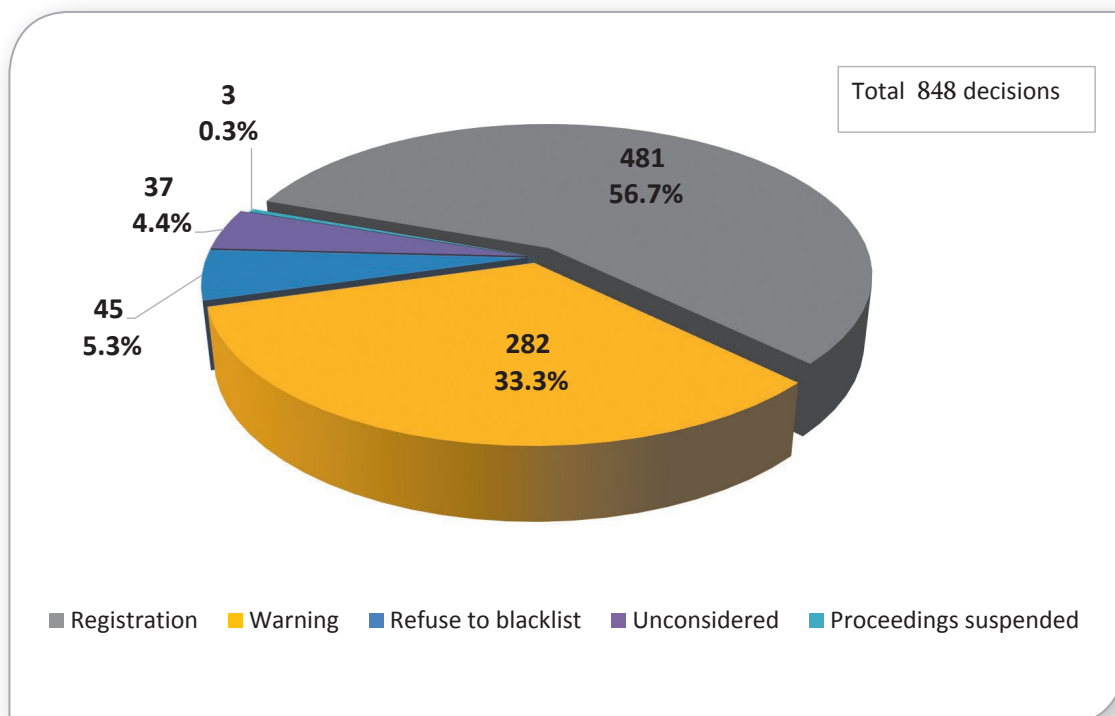
MAINTENANCE OF THE BLACK AND WHITE LISTS

One of the key responsibilities of the SPA is the maintenance of White and Black Lists.

Overall number of decisions made in 2016 relating to the Black List amounted to 848 (803 decisions in 2015). Apart from Black List, SPA also keeps the Register of Warned Suppliers, under which 282 suppliers were warned (in 2015 - 259 suppliers).

Their distribution is shown on Diagram N17.

Diagram N17: Decisions made in 2016 regarding Black List and their distribution according to statuses

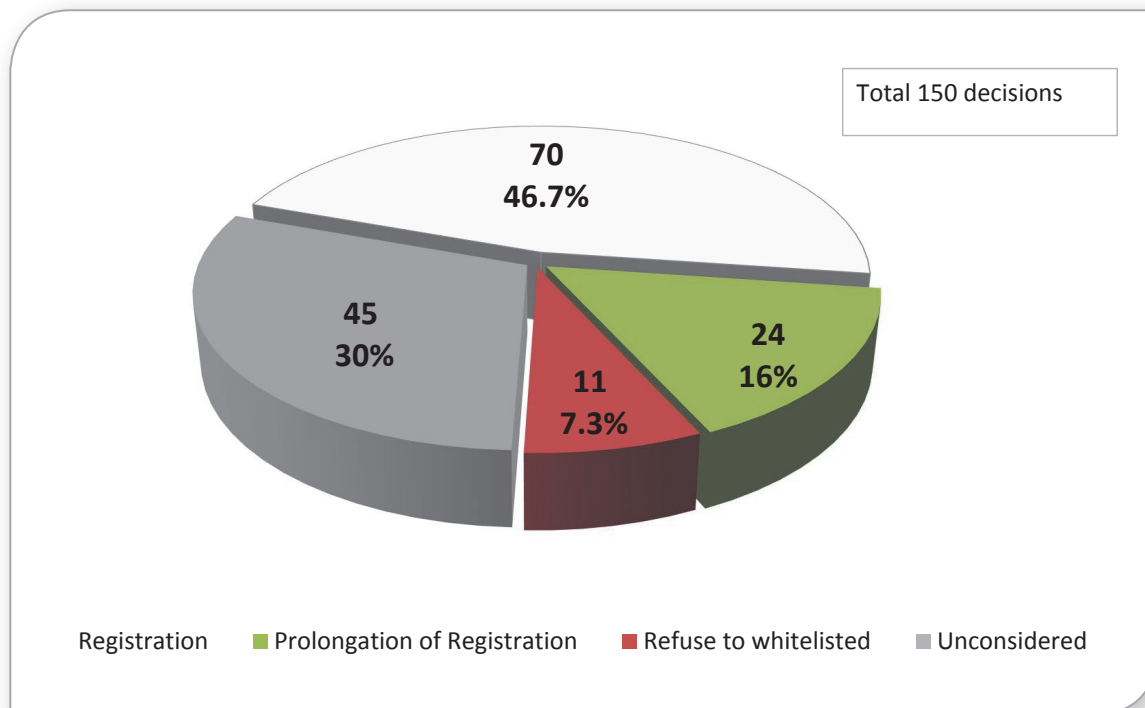




The SPA keeps the White List together with the Black List. Many amendments were introduced in 2016 concerning the registration in the White List, completely new provisions on new criteria of registration were put in place, that will further support SMEs in their growth, as well as will ensure non-discrimination, equal treatment and will further stimulate them.

In total 150 decisions were made in SPA regarding White List. Their distribution can be seen on Diagram N18.

Diagram N18 : Decisions made in 2016 with respect to White List and their distribution according to statuses





MONITORING OF PUBLIC PROCUREMENT

The SPA is monitoring of public procurement conducted by contracting authorities in order to ascertain compliance of the procurement procedures with the current legal framework. Mentioned monitoring covers reports of more than 4,400 contracting authorities.

14,149 tenders with “Contract Awarded” status, filtered according to various risk factors and criteria, were monitored via automatic messages of the system during the period from the 1st of January, 2016 to 31st of December, 2016.

Additionally, 691 more tenders with statuses: “Tender Terminated”, “Contract not Awarded”, “No bids Received” were processed.

Furthermore, 8,860 tenders were monitored with a view to establishing the adequacy of disqualification of bidders within the system.

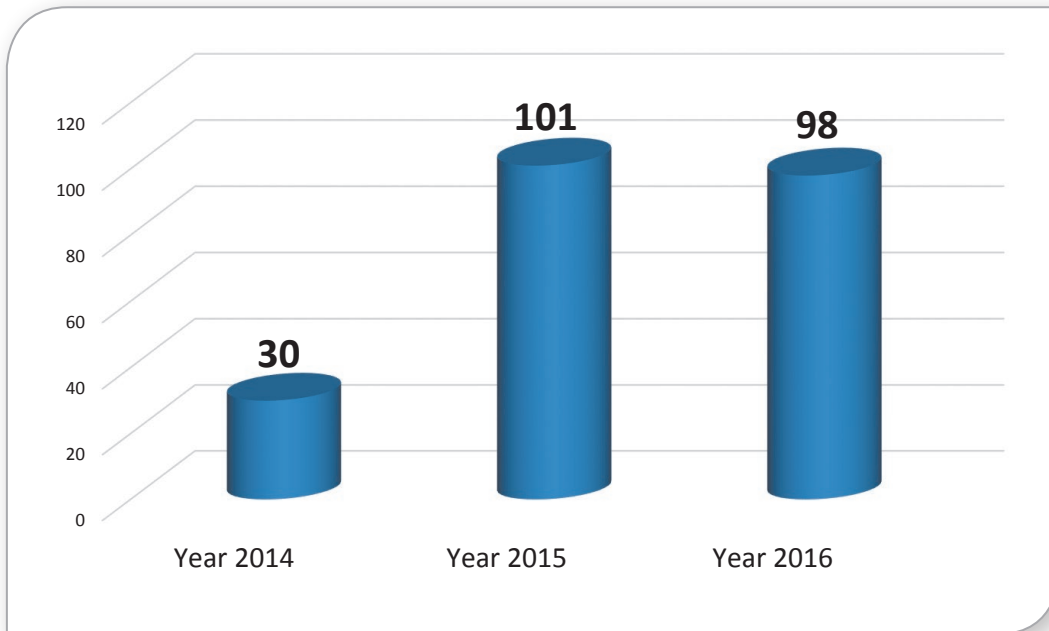
In addition, the monitoring of 119 contests announced for the procurement of design contests was undertaken.

It should be mentioned that the SPA is also monitoring contracts awarded through simplified procurement, presented through CMR module. Worth mentioning is the fact, that automatic message system was developed in 2016 with regard to risky practices in public procurement, conducted by contracting authorities through simplified procurement mechanism that enables the monitoring department to minimize the facts of disclosure of all unlawful actions in simplified procurement, as it already is the case with tenders. In 2016 the number of contracts awarded through simplified procurement mechanism filtered through automatic message system amounted to 176,706.

In total 2,203 letters were sent to contracting authorities on revealed violations, with regard to which SPA limited itself to recommendations; and out of them in 98 cases the commitment of an administrative offence was established.



Diagram N19 : Number of administrative offences revealed by SPA according to years





CONSOLIDATED TENDERS

In order to ensure efficient allocation of budgetary resources, SPA, acting within the scope of its competence, has been conducting tenders with regard to certain procurement objects in a centralized manner since 2012, through the so-called consolidated tenders. In this way, the state makes considerable economies of scale on procurement objects announced through consolidated tender, which ensures more efficient and targeted budgetary expenditures.

For the conduct of procurement in a consolidated manner, the following consolidated tenders were announced and winners were identified/selected through the Unified Electronic System in 2016:

1. 8 (eight) tenders for the procurement of 5 (five) different oil products (fuel);
2. 2 (two) tenders for standards PCs and standards portable computers;
2. 7 (seven) tenders for A4 printing paper of highest and first quality;
4. 1(one) for mobile network service;
5. 28 tenders for M+S and summer tire-covers for passenger cars and 12 tenders for M+S and winter tire-covers for passenger cars.

The below table offers detailed data on announced numbers and economy made with regard to each of them.

PROCUREMENT OBJECT	ANNOUNCED NUMBER	ECONOMY PER UNIT (GEL)
Fuel	Total 90,191,686 liters	30,905,245
Computers (PCs and portable)	11,500 standard PCs; 5,600 standard portable computers	4,294,995
A4 Paper	450,000 packs of highest grade; 200,000 packs of the first grade	533,264
Tire-covers	51,544 tire-covers	7,195,920
Telecommunication Services	280,000 subscribers	N/A



Furthermore, it should be noted that the permit module was incorporated into consolidated tender management system - CONSYS (ctd.spa.ge), with the help of which module contracting authorities obtain permits for the following two procurement of oil products (fuel) within the framework of consolidated tenders: a) when it is necessary to procure fuel from a non-winner supplier; 2) when it is necessary to purchase fuel from winner supplier without VAAIS³ system.

In total 4,573 permit requests for fuel, submitted by contracting authorities, were addressed within the framework of permit module, incorporated into consolidated tender management system, each of them was reviewed and assigned with relevant statuses.

Incorporation of the above model allowed the simplification of agreement procedures, also promoted the systemization, monitoring and maintenance of respective statistics. It should be mentioned, that the cases of selling fuel for coupons were minimized, what itself foresees strict control over targeted expenditure of fuel.

The introduction of CTD module resulted in correct planning of consolidated tenders; it will also promote the analysis and collection of statistics within tight timelines, which is a major priority and what is more, it will greatly promote the update of data and databases of contracting authorities.

The economy reached in 2016 through consolidated tenders with regard to retail prices of procurement objects exceeded 42 million GEL (however this amount does not include the economy made within the framework of consolidated tender for the procurement of telecommunications services).

As of today, intensive analytical and research activities are under way in order to identify objects, procurement of which in a consolidated manner would have been reasonable in the light of the principle of efficient allocation of budgetary resources.

³ VAAIS-Vehicle alignment and automated identification system since 2014.



TRAINING CENTRE

In 2014 a structural unit Training Centre was founded within LEPL - State Procurement Agency for the purpose of retraining procurement specialists of public agencies/organizations. The training courses are led by highly qualified public procurement experts of, selected with due consideration of their knowledge, qualification and experience.

In total 23 series of trainings and seminars were conducted at the Training Centre in 2016 with participation of the trainees from all the regions of Georgia. The working groups were composed of the specialists of governmental agencies, 71 municipalities and city halls and boards of self-governing cities, as well as of the representatives of various businesses.





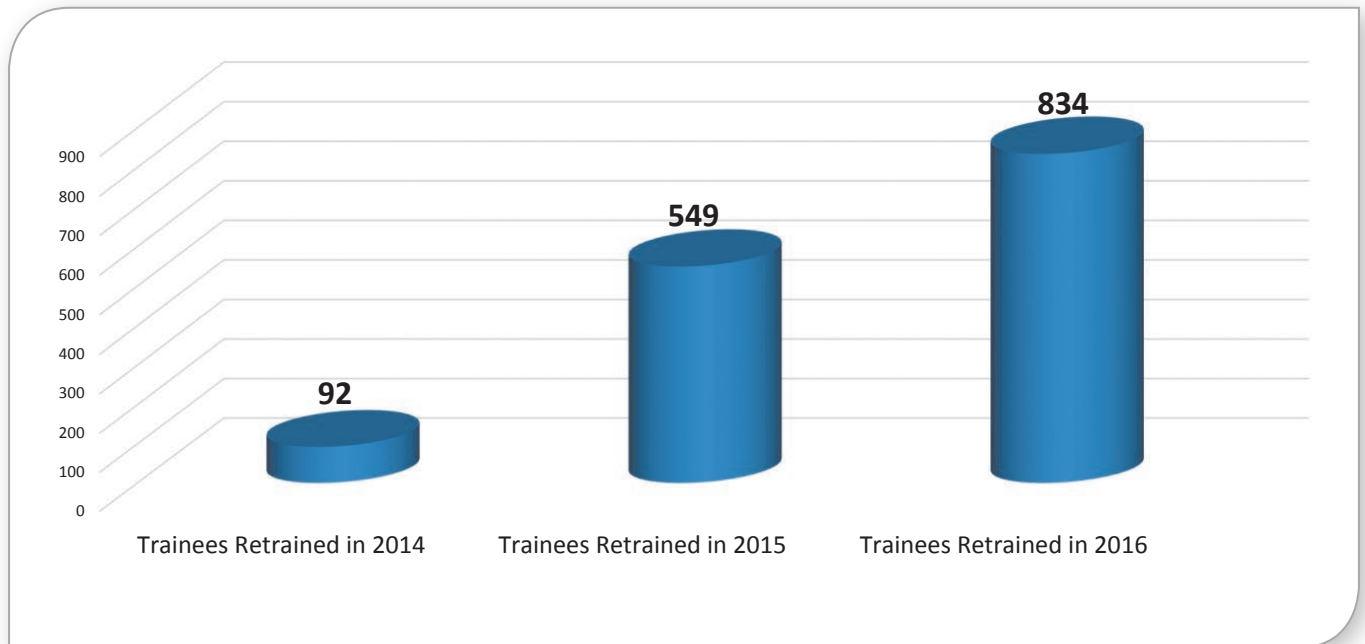
Four seminars were held for chief of the Heads of Municipalities and Heads of procurement services; two onsite seminars were held for procurement specialists of Tbilisi City Hall and Non-for-profit legal entities founded thereby and 1 seminar - for the representatives of business sector.



In total, 1,530 specialists, operating in public procurement and representatives of business sector were retrained and certified by the Training Centre of the SPA in 2014-2016.



Diagram N 20: Growing dynamics of retrained procurement specialists trainees working in public procurement in 2014-2016:





PUBLICATIONS

With a view to raising awareness of the users of public procurement system and enhancement of the qualification of respective specialists of contracting authorities several manuals and guidelines were developed and published by SPA under co-funding of international donors:

1. User-manual for users of the unified electronic system of public procurement (different acquisition procedure for construction works)⁴;
2. User-manual for users of the unified electronic system of public procurement⁵;
3. Guidelines for filling-in the electronic tender documentation module⁶;
4. Guidelines for registration and management of a partnership within the unified electronic system of public procurement⁷;
5. Guidelines for adding requisites to user profile⁸;
6. 300 most frequently asked questions about public procurement with answers⁹;
7. Public Procurement Agency Report for 2015¹⁰.

⁴ http://procurement.gov.ge/getattachment/ELibrary/Manuals/dap_user_manual.pdf.aspx

⁵ <http://procurement.gov.ge/getattachment/ELibrary/Manuals/UG-5-02.pdf.aspx>

⁶ <http://procurement.gov.ge/getattachment/ELibrary/Manuals/modulis-shevsebis-inst.pdf.aspx>

⁷ <http://procurement.gov.ge/getattachment/ELibrary/Manuals/amxanagoba.pdf.aspx>

⁸ <http://procurement.gov.ge/getattachment/ELibrary/Manuals/rekvizitebis-dam-instruqcia.pdf.aspx>

⁹ http://procurement.gov.ge/getattachment/FAQ_2016-072016.pdf.aspx

¹⁰ http://procurement.gov.ge/getattachment/ELibrary/AnalyticalStudiesReports/Angarishi_2015_geo.pdf.aspx



METHODOLOGICAL GUIDELINES AND RECOMMENDATIONS

Several methodological guidelines were issued in 2016 aiming at improvement of procurement procedures and enhanced competition in public tenders. The following methodological guidelines were developed and published on the official web page of the SPA:

- Methodological guidelines for the promotion of SME participation in public tenders, which aim at communication of widely held approaches of global practice to contracting authorities, with the help of which approaches they will considerably promote the participation of SMEs in public tenders. Methodological guidelines also discuss typical problems encountered by SMEs while participating in tenders and steps to be undertaken by procuring entities for the enhancement of competition¹¹;
- Methodological guidelines for the application of two-stage tenders provide procuring entities with detailed information about the essence, scope of application, types of potential criteria of newly implemented procurement mechanism, as well and the method of calculation of the share of each criterion¹²;
- Methodological guidelines on the method of implementation of a construction project familiarizes procuring entities/project managers with widely applied methods of project implementation and assists them in determination of the suitable procurement mechanism for the implementation of each method¹³;
- The monitoring of already held tenders evidenced that in certain cases along with contract fulfilment guarantee the tender documentation of procuring entities provide for additional provisional remedy - forfeit, which is imposed upon a supplier for non- or inadequate fulfilment of assumed contractual obligations. The conducted survey demonstrated that the amount of forfeit in certain cases is disproportionately high, what considerably reduces the attractiveness of a tender and obstructs the participation of SMEs in public procurement. Hence, the SPA developed a recommendation with regard to determination of the reasonable amount of forfeit¹⁴;

¹¹ http://procurement.gov.ge/getattachment/ELibrary/metod-mititebebi-da-recomendaciebi/SME_last2.pdf.aspx

¹² http://procurement.gov.ge/getattachment/ELibrary/metod-mititebebi-da-recomendaciebi/SME_last2.pdf.aspx

¹³ [http://procurement.gov.ge/getattachment/ELibrary/metod-mititebebi-da-recomendaciebi/designbuild-\(1\).pdf.aspx](http://procurement.gov.ge/getattachment/ELibrary/metod-mititebebi-da-recomendaciebi/designbuild-(1).pdf.aspx)

¹⁴ <http://procurement.gov.ge/getattachment/ELibrary/metod-mititebebi-da-recomendaciebi/recommendation.pdf.aspx>



- Apart from the foregoing the monitoring processes evidenced, that in certain cases procuring entities provide for unreasonable timelines for settlement for the production of goods, provision of services or accomplishment of construction works under the contract. Specifically, these timelines are rather protracted and considerably exceed the period necessary for settlement. Based on the foregoing SPA recommended procuring entities to settle with the suppliers within maximum 10 business days following the execution of the document, certifying the fulfilment of the contract¹⁵.

COMMUNICATION WITH THE CUSTOMERS

In 2016 circulation of SPA documents (incoming and outgoing mail) amounted to 11,839 (17,538 15 in 2015). In addition to that, 6,201 e-mails were received and addressed on the official e-mail of the SPA Info@procurement.gov.ge (5,728 in 2015), and the number of archived letters amounted to 2,486 (3,937 in 2015).

Furthermore, SPA runs Citizen Hotline service centre, providing every interested person with competent and exhaustive information on public procurement. In total 19,720 calls (17,927 in 2015) were received and answered in 2015.

It should be mentioned as well that SPA is working regularly on the development of new services and modules for the delivery of information to persons interested in public procurement, to what end they receive system messages and short text messages (SMS) from time to time. Total number of system messages circulated in 2016 is over 37 million and that of short text messages - up to 228 thousand.

¹⁵ <http://procurement.gov.ge/getattachment/ELibrary/metod-mititebebi-da-recomendaciebi/rec-ang.pdf.aspx>



PUBLIC RELATIONS

Meetings with Businesses

16 meetings with the representatives of business sector were held in 2016 under the initiative of the Chairman of the SPA. The meetings are held regularly, twice a month. The main goal of these meetings is for the representatives of business community to personally provide the Chairman with information about specific tenders, some issues which are problematic in their opinion and potential shortcomings existing in procurement field; furthermore, to present their views, opinions and propose solutions. The SPA analyses these proposals and opinions and addresses them duly.



In 2016 the meetings were held with the suppliers from pharmaceutical, agricultural, computer, transport, furniture, food, media, engineering, construction, lightning appliances, cleaning, hotel, insurance and pension, cooling and ventilation appliances and medical fields.



Public discussion: Unified Electronic System of Public Procurement - Novelties and Changes was held in August, 2016. The representatives of SPA detailed the representatives of contracting authorities, SMEs, business-unions and associations about novelties and main changes in the Unified Electronic System of Public Procurement, including information on two-stage tender. At this meeting, the Chairman of the SPA made a comprehensive overview of the reforms undertaken in 2015-2016. The presentation concerned the new procurement eServices, methods and resources. The procedures of two-stage tender were discussed in details, the recommendations were offered with regard to its conduct and price and quality multi-criteria evaluation integrated approach. More that 200 participants took part in this informative-advisory meeting, from contracting authorities, SMEs and business unions and associations. The event



was held under the assistance of the project “Development of SMEs and Deep and Comprehensive Free Trade Area in Georgia”, implemented by German Society for International Cooperation (GIZ) under the aegis of EU4Business and EU funding.





Furthermore, annual final meeting was held for business, where the Chairman of the SPA reported about implemented reforms and discussed future plans.





The meeting was attended by the representatives of SMEs, business unions and association, as well as by other interested persons. It should be noted, that at final meeting the Association of Georgian Employers awarded Chairman of the SPA with a Certificate of Gratitude for intensive participation in meetings within the framework of Business-Government Dialogue and assistance.





The informative-advisory meeting was also held in Batumi, organized by the SPA for the representatives of contracting authorities, local self-governances, civil society and business communities of Adjara, Guria, Samegrelo and Imereti regions. The event was arranged in cooperation within the USAID G4G (Governing for Growth) project. The meeting was attended by the representatives of contracting authorities, civil society and business community. During the event, the President of the Chamber of Commerce of Georgia and the Chairman of the SPA signed the Memorandum of Understanding. According to this document, the parties will undertake joint activities, plan working meetings, forums, business conferences, symposiums and seminars. Besides, accounting for the content of the MoU the Chamber of Commerce of Georgia will ensure the participation of its members, invited experts and field specialists in joint events and activities. SPA and the Chamber of Commerce will implement joint projects supporting SMEs, within the framework of this cooperation. Amongst them, SPA will get intensively involved in meetings with business sector, organized by the Chamber of Commerce of Georgia in Tbilisi and regions, which aims at the identification of entrepreneurs' problems and their settlement. The Chairman of the SPA and other top managers informed the attendees of the meeting about changes made to the procurement regulatory framework, new procurement procedures and new electronic services.





In 2016 SPA was intensively cooperating with international organizations (USAID, GIZ), under whose assistance the series of meetings with private sector and contracting authorities took place both in Tbilisi and in the regions. In total, SPA held seven such meetings in 2016. These meetings aim at informing contracting authorities and representatives of private sector with information on ongoing reforms and novelties.

Apart from the foregoing, the top managers of the SPA were intensively informing society at large about ongoing reforms and future plans through various mass-media.



INTERNATIONAL COOPERATION

2016 was again another successful year for the SPA with regards to international relations. SPA held meetings with the representatives of various international organizations throughout the year. Furthermore, SPA was involved in drafting of various international commitments and reports:

- The SPA completed the elaboration of comprehensive action plan for gradual approximation with the EU legislation. “Roadmap and Action Plan for the Implementation of the Public Procurement Chapter of the EU-Georgia Association Agreement”, was adopted by the Decree of the Government of Georgia #536 of 31 March 2016;
- The negotiations between Georgia and EFTA on free trade were successfully concluded in 2016. The agreement foresees an efficient and mutual opening up of public procurement markets for EFTA Member States and Georgia, which will enable Georgian companies to participate in public procurements of EFTA Member States. This is the first time when Georgian companies are able to access multibillion public procurement market;

In 2016 the SPA continued close cooperation with — OECD. In this respect, it should be mentioned that SPA participated in the fourth round of monitoring of anticorruption reforms, organized by OECD in Paris on September 14-17. At this meeting participants exchanged international anticorruption experience and Georgia presented its report on the fulfilment of its obligations, on the basis of which the new recommendations were developed;

- According to the #15 Recommendation of OECD Fourth Round Report on Anticorruption Action Plan, Georgia is to join the WTO Government Procurement Agreement (GPA) - multilateral agreement within the framework of the WTO, one of the crucial agreements in the field of public procurement. To this, in May 2016 SPA organized two-day seminar, where all the key benefits and opportunities of Georgia’s accession to GPA were discussed. The seminar was held under the assistance of the US Trade Department CLDP program, EBRD and WTO;
- In 2016 the SPA was intensively involved in the elaboration of the Third Action Plan of Open Government Partnership (OGP) for 2016-2017. It should be mentioned, that in the course of drafting of the action plan SPA intensively participated in regional meetings aimed at communication of Georgia’s commitments undertaken within the framework of OGP Third Action Plan for 2016-2017 to the society at large. 2016-2017 Action Plan was approved in November 2016;



- On 1-2 December, 2016 the representatives of the SPA participated in the meeting of the Association Committee held in Brussels in connection with procurement related matters. At this meeting SPA presented its report on the fulfilment of the commitments undertaken within Association Agreement. The Association Committee positively assessed SPA progress with regard to 2016 report;

The State Procurement Agency was intensively involved in the development of various international commitments and reports. In 2016 the following annual reports were prepared:

- Public Expenditure and Financial Accountability (PEFA) 2013-2015 Assessment Document;
- Public Finance Management Report 2016;
- DCFTA Report 2016;
- 2016 Progress Report on 2015-2016 National Anticorruption Action Plan.



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STATE PROCUREMENT AGENCY

PARTNERS



USAID
FROM THE AMERICAN PEOPLE



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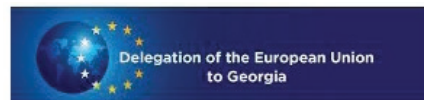
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STATE PROCUREMENT AGENCY

TBILISI 2017