



IMPACT OF THE COVID-19 PANDEMIC ON PUBLIC PROCUREMENT IN GEORGIA

(On the example of simplified procurement)



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ABSTRACT

Georgian public procurement accounts for a significant share of the country's gross domestic product each year. One of the goals of public procurement policy is to reduce the share of simplified procurement in total procurement. Crises are particularly conducive to the implementation of simplified procurement to address emergencies, which in turn carry the risk of corruption and less transparency. That is why studying the impact of the Covid-19 pandemic on simplified procurement is interesting and topical. The purpose of this paper is to study the impact of the Covid-19 pandemic on simplified procurement by 2020. The theoretical-methodological basis of the research is the analysis of official statistics, official reports, various normative acts, and the latest scientific publications. The unified electronic system of the LEPL State Procurement Agency is used to achieve certain research objectives. The findings and recommendations will be interesting and useful for any stakeholder, especially for procuring organizations.

Keywords: Covid-19 pandemic; Public procurement; Simplified procurement.

Covid-19 პანდემიის გავლენა საქართველოს სახელმწიფო შესყიდვებზე (გამარტივებული შესყიდვების მაგალითზე)

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ანოტაცია

საქართველოს სახელმწიფო შესყიდვები ქვეყნის მთლიანი შიგა პროდუქტის მნიშვნელოვან ნილს იკავებს ყოველწლიურად. სახელმწიფო შესყიდვების პოლიტიკის ერთ-ერთ მიზანს კი მთლიან შესყიდვებში გამარტივებული შესყიდვების წილის შემცირება წარმოადგენს. კრიზისული სიტუაციები განსაკუთრებით



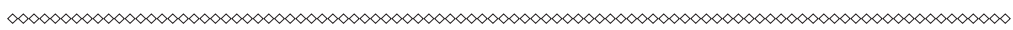
უნყოფს ხელს გადაუდებელი აუცილებლობით გამოწვეული ვითარების აღმოსაფხვრელად გამარტივებული შესყიდვების განხორციელებას, რომლებიც თავის მხრივ კორუფციისა და ნაკლები გამჭვირვალობის რისკს შეიცავს. სწორედ ამიტომ Covid-19 პანდემიის გავლენის შესწავლა გამარტივებულ შესყიდვებზე საინტერესო და აქტუალურია.

წინამდებარე ნაშრომის მიზანს წარმოადგენს Covid-19 პანდემიის გავლენის შესწავლა 2020 წლის განმავლობაში განხორციელებულ გამარტივებულ შესყიდვებზე.

კვლევის თეორიულ-მეთოდოლოგიურ საფუძველს წარმოადგენს ოფიციალური სტატისტიკის, ოფიციალური ანგარიშების, სხვადასხვა ნორმატიული აქტებისა და უახლესი სამეცნიერო პუბლიკაციების ანალიზი. კვლევის გარკვეული ამოცანების მისაღწევად კი გამოყენებულია სსიპ „სახელმწიფო შესყიდვების სააგენტოს“ ერთიანი ელექტრონული სისტემა.

მიღებული დასკვნები და რეკომენდაციები საინტერესო და სასარგებლო იქნება ნებისმიერი დაინტერესებული მხარისათვის, განსაკუთრებით კი შემსყიდველი ორგანიზაციებისთვის.

საკვანძო სიტყვები: Covid-19 პანდემია; სახელმწიფო შესყიდვები; გამარტივებული შესყიდვა.



INTRODUCTION

The spread of the Covid-19 pandemic has affected almost every area of human activity, including public procurement. In Georgia, in this area, among other problems, there was a problem of abundance of simplified procurement before the pandemic, however, it was characterized by a declining trend and created a positive picture of the future. Urgent procurement is more important when considering simplified procurement, and in the latter - emergency procurement in further agreement with the State Procurement Agency. Unlike a tender, the reluctance of a simplified public procurement stems from its simple procedure, possible irrational spending of funds, non-transparency, risk of corruption, or other threats. That is why one of the goals of public procurement policy is to reduce the share of simplified procurement in total procurement, which is characterized by an increasing trend after the spread of the Covid-19 pandemic. It should be noted that in the early stages of the pandemic, there was a cessation¹ of tendering procedures by procuring entities and an increase in simplified procurement instead to address the urgent situation (Sisoshvili G., 2020) (IDFI, 2020).

METHODOLOGY

The main objective of this research is to analyze the impact of the Covid-19 pandemic on simplified procurement by 2020. To achieve abovementioned objective, the research proceeds through a qualitative approach with a systematic literature, official statistical information and reports, various normative acts review. To get some of information the uni-

fied electronic public procurement system was used as a research platform and official statistical information was obtained from the 2020 annual report of the State Procurement Agency.

The findings and recommendations will be interesting and useful for any stakeholder, especially for state procuring organizations.

OFFICIAL STATISTICS AND ANALYSIS RELATED TO SIMPLIFIED PROCUREMENT

Confirmation of the start of the active fight against the Covid-19 pandemic in Georgia was the approval of the Government of Georgia Decree N164 of January 28, 2020 "Operational Response Plan for New Coronavirus Diseases". The mentioned act determined the procurement of services/goods necessary for the provision of the planned measures to be carried out by the procuring organizations as a matter of urgency and/or through the simplified procurement in accordance with Article 101, Paragraph 3, Subparagraph "d"² of the Law of Georgia on State Procurement. As a result of the deteriorating epidemic situation in the country, the list of objects to be procured through urgent necessity and/or simplified procurement in accordance with Article 101, Paragraph 3, Subparagraph (d) of the Law of Georgia on State Procurement has been further increased. It should also be noted that according to Article 18, Paragraph 10 of the "Rules of Isolation and Quarantine" approved by the Resolution of the Government of Georgia 23 322 of May 23, 2020, the buyers were given the right to purchase the necessary

1 Which is mainly due to the long deadlines set by law for tender procedures.

2 Uninterrupted conduct of events of state and public importance for a limited period of time

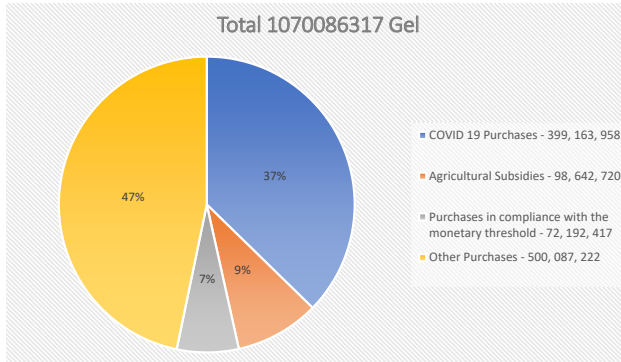


Diagram №1. Simplified Procurement (State Procurement Agency 2020 Activity Report, 2021, p: 11)

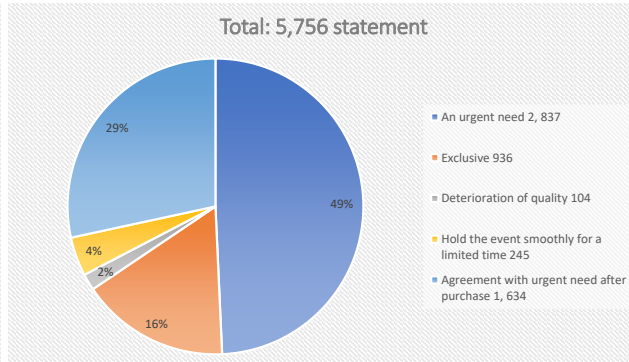


Diagram №2. Distribution of bids submitted in the e-Procurement System Simplified Procurement Agreement e-module on the basis of the application (State Procurement Agency 2020 Activity Report, 2021, p: 50)

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services/goods for the implementation of a number of medical measures and/or “ Pursuant to Article 101, Paragraph 3, Subparagraph “d” of the Law of Georgia on State Procurement, through simplified procurement with the consent of the State Procurement Agency. With the issuance of these acts, it was already clear that there would be an increase in both quantitative and monetary procurement. In 2020, 5,158,143,556 GEL was procured in Georgia, which is equal to 10.4% of GDP. The share of simplified procurement from this amount is GEL 1,070,086,317, of which more than half comes from agricultural subsidies issued by the state, various medical equipment, and pharmaceutical products purchased in the process of dealing with the pandemic, as well as public procurement in compliance with the monetary³ threshold. (See Diagram №1) (State Procurement Agency 2020 Activity Report, 2021).

By 2020, the volume of simplified procurement accounted for 21% of the total, which is 3% higher than in 2019. (State Procurement Agency 2020 Activity Report, 2021). According to the 2020 activity report

published by the State Procurement Agency in 2021, 5,756 applications for simplified procurement were submitted to the State Procurement Agency in 2020 through the SMP module, and their distribution according to the grounds is as follows: (see Diagram № 2) Urgency - 2,837 announcements, exclusive - 936 announcements, quality deterioration - 104 announcements, smooth running of the event for a limited time - 245 announcements, agreement after urgent purchase - 1,634 announcements. (State Procurement Agency 2020 Activity Report, 2021)

It is noteworthy that out of 5,752 out of 5,756 applications submitted through the SMP module, 91% were approved, 368 applications were rejected by the purchaser, 143 applications were considered, and 23 applications were rejected. (See Diagram №3) (State Procurement Agency 2020 Activity Report, 2021).

CONCLUSIONS AND RECOMMENDATIONS

As official public procurement statistics show, the share of simplified procurement in total procurement

3 State procurement of homogeneous objects worth up to 5,000 GEL is meant.

Diagram №3. Detailed statistics of bids submitted in the e-procurement simplified e-procurement agreement e-module (State Procurement Agency 2020 Activity Report, 2021, p: 51)

Basis of purchase	Access	Rejection	Not discussed	Back requested	Total
An urgent need	2,521	19	83	214	2,837
Exclusive authority	866	2	25	43	936
Hold the event smoothly for a limited time	215	-	3	27	245
Avoid quality deterioration	75	2	8	19	104
Agreement with urgent need after purchase	1,545	-	24	65	1,634
Total	5,222	23	143	368	5,756



has been declining over the years, however, the spread of the pandemic has changed the picture and by 2020, simplified procurement has already increased by 3% compared to 2019. It is logically expected that in 2021 there will also be an increased rate. While the increase in the share of simplified procurement in total procurement is not a positive result, the benefits that this procurement has brought in the fight against the Covid-19 pandemic are also noteworthy. It is through these simplified procurements that the epidemiological situation in the country has been dealt with and managed. It should be noted that with the increase in

the number of simplified procurements, the number of approvals issued by the State Procurement Agency also increased (91%) in 2020, which is well above the 2019 figure (86%). As a recommendation, given the unpredictability and uncontrollability of the Covid-19 pandemic, as well as the priority of its management, it is necessary for procurement organizations to consider the issue of rational spending and transparency of funds. As for the annual procurement planning, it should be implemented properly, for which the issue of reducing the number of simplified procurements is of great importance.

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