



PROSPECTS OF THE EU PUBLIC PROCUREMENT MARKET OPENING FOR GEORGIA

Ana Chagelishvili 

Ivane Javakhishvili Tbilisi State University, Georgia, Tbilisi, I. Chavchavadze Ave. N1, 0179

Faculty of Economics and Business

chagelishviliana@yahoo.com

Natia Surmanidze

Guram Tavartkiladze Tbilisi Teaching University, Department of Business and Social Sciences,
Georgia, Tbilisi, Samghereti st. 5, 0101

The University of Georgia, School of Business and Administrative Studies, Georgia, Tbilisi, M.
Kostava street 77a, 0171

Ilia State University, School of Business, Technology and Education, Georgia, Tbilisi, K.

Cholokashvili Avenue 3/5, 0162

natia.surmanidze@gttu.edu.ge

Abstract

As a result of properly fulfilling the obligations assumed by the association agreement with the European Union, the European public procurement goods market was opened for Georgia, however, it is important how in practice business entities registered in Georgia will be able to use this opportunity and what real benefits this event will bring to the country. At the initial stage, only the goods market is open to the Georgian business sector, where agricultural products are considered to be a prospective purchase object for Georgia, however, this does not exclude the country's competitiveness in one or another category of goods in the future. Thus, the work is completely related to the discussion of new perspectives of Georgia in the European public procurement market and the development of author's recommendations.

Keywords: Public Procurement; European Union; Tenders Electronic Daily; Georgia; State Procurement Agency

INTRODUCTION

Adjustment of the state procurement system of Georgia to the obligations defined by the Association Agreement with the EU (European Union) has been going on gradually for years. The obligations of the first stage under the association agreement were successfully fulfilled, which was followed by a positive assessment of the European Commission. This assessment was reflected in the decision of the Association Committee on Trade Issues of October 8, 2021 (EU Association Committee, 2021). As a result, the market for goods purchases was opened by the central authorities of the EU for business entities registered in Georgia, thereby removing the legal restrictions on participation in European tenders for Georgian business entities. This decision was published in the Official Journal of the European Union on July 22, 2022 (EU: Publications Office of the EU, 2022). As mentioned, at this stage, only the goods market was opened, however, in the future, simultaneously with the fulfillment of the 2nd stage of the obligations, it will be possible to open the services and construction works markets as well.

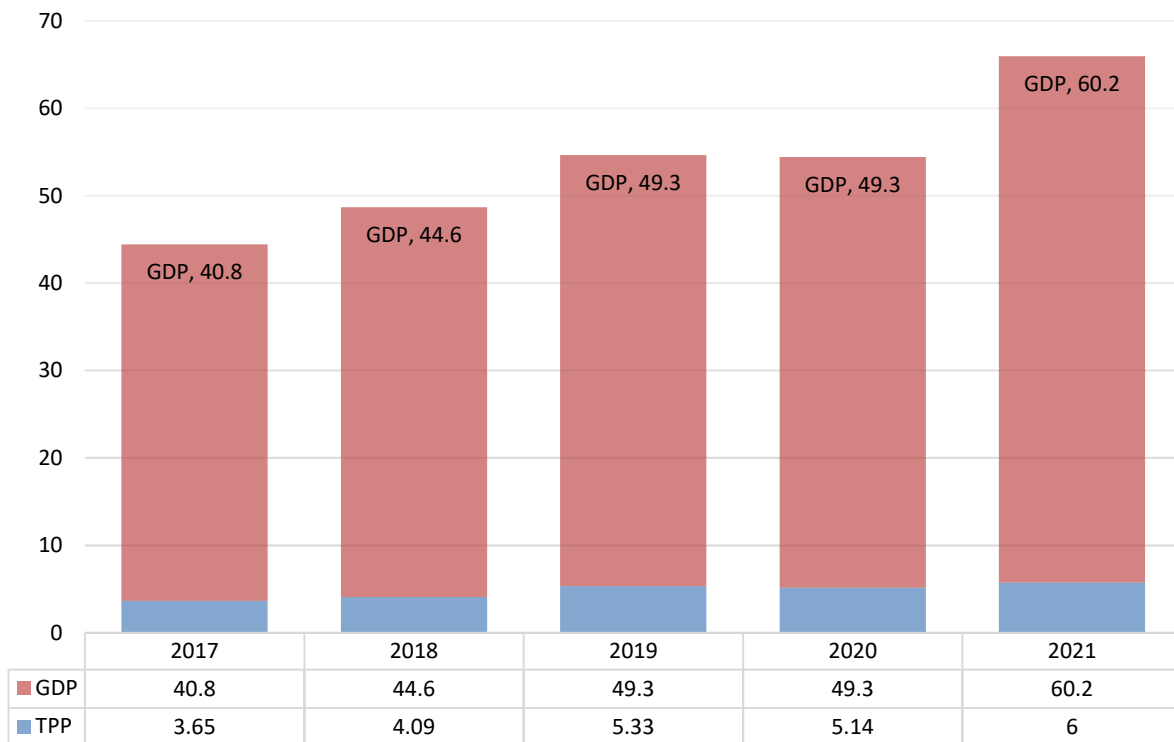
The above-mentioned success in the economic relations between the EU and Georgia is an important step towards the realization of the Deep and Comprehensive Free Trade Areas (DCFTA), however, there are still many obligations to be fulfilled. Currently, the State Procurement Agency of Georgia is actively preparing for the implementation of the regulations established by the European directives in the national legislation, in particular, it is planned to introduce new public procurement procedures, tools and innovative approaches (Georgian State Procurement Agency, 2022, 32) (Law of Georgia on Public Procurement (draft law), 2022).

The article refers to the above-mentioned event and the discussion of Georgia's perspectives. To achieve the goals of the paper, the desk research method is used and relevant data are processed using analysis or synthesis techniques, in connection with which the author's notes and recommendations are expressed.

REVIEW OF PUBLIC PROCUREMENT IN GEORGIA

Every year, public procurement of Georgia takes a significant share of GDP (Gross Domestic Product) (see Figure 1). For example, the total amount of purchases made in 2021 was 5,754,188,526 GEL (Georgian State Procurement Agency 2022, 9), which is almost 10% of the GDP of the same year (60.2 billion GEL) (National Statistics Office of Georgia, n.d.).

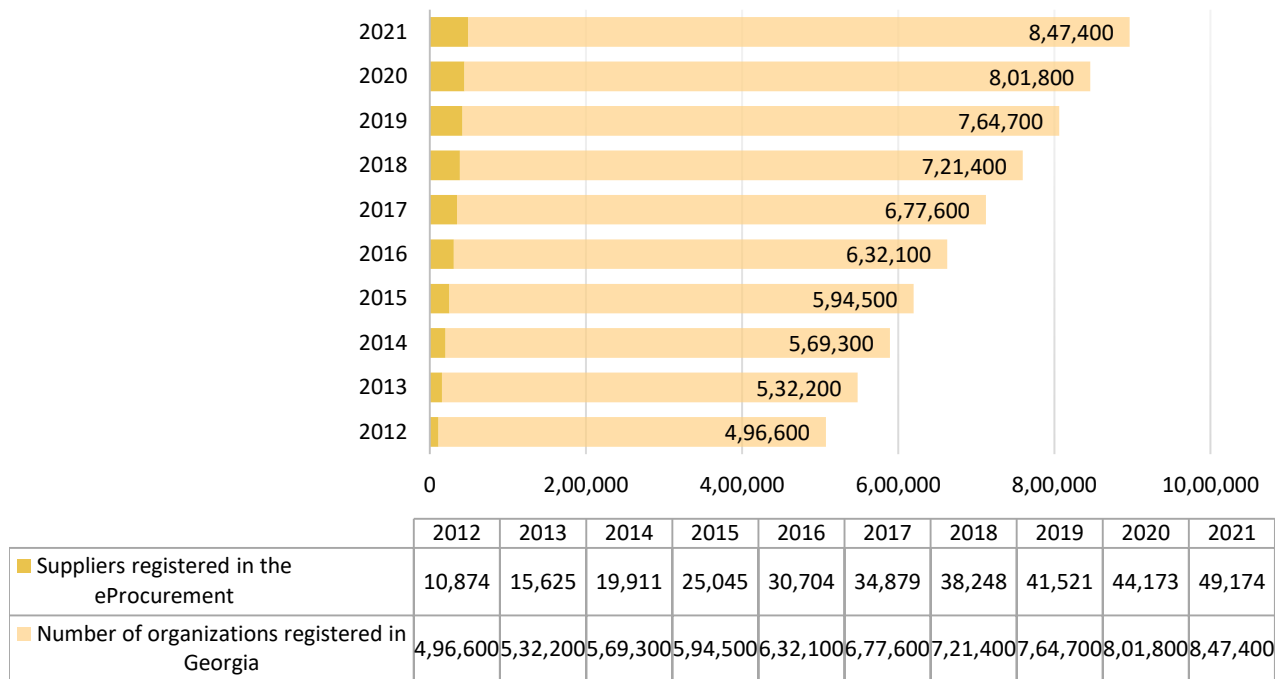
Figure 1. GDP and total public procurement (TPP) for Georgia during last 5 years (billion GEL)



Source: National Statistics Office of Georgia, n.d.; Georgian State Procurement Agency, 2022, 10

Given this scale, public procurement can be considered as an important part of the private sector sales market, which should be considered alongside the activity of business entities. From this point of view, the number of entities registered as suppliers in the unified electronic system of public procurement and the average number of bidders participating in public tenders are considered informative measures. Georgian state procurements are completely (with exceptions) public and collected digitally in a single electronic system (tenders.procurement.gov.ge). Accordingly, any information can be obtained from the mentioned website. Since 2012, the number of suppliers registered in the eprocurement has been growing in parallel with the growth of organizations registered in Georgia (see Figure 2), both quantitatively and in terms of share (from 2.19% to 5.8%) (National Statistics Office of Georgia n.d.; Georgian State Procurement Agency, 2022, 22). The mentioned trend is mainly related to the increase in the degree of trust of the suppliers in the state procurement system, however, in the background of the total number of organizations, the number of suppliers registered in the eprocurement is still quite low.

Figure 2. Number of organizations registered in Georgia & Suppliers registered in the eProcurement for 2012-2021 years (cumulative sums)

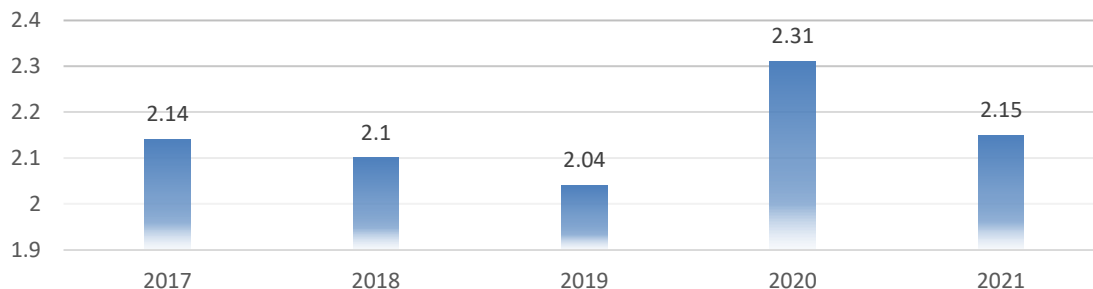


Note: Both sets include active and non-active subjects.

Source: National Statistics Office of Georgia, n.d.; Georgian State Procurement Agency, 2022, 22

As for the average number of bidders in tenders, it has been characterized by a changing trend over the last 5 years (see Figure 3), However, special activity is observed in 2020, which is related to the spread of the Covid-19 pandemic. Against the background of implementation of unplanned purchases, together with simplified purchases, the number of tenders increased especially during this period. This, in turn, led to the activity of the bidders.

Figure 3. Average number of bidders participating in public tenders of Georgia (last 5 years)

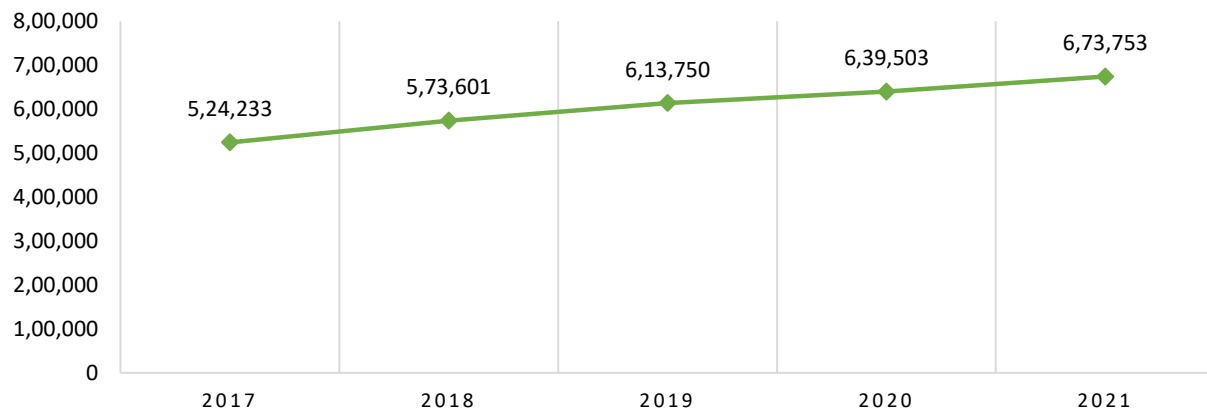


Source: Georgian State Procurement Agency, n.d

EUROPEAN UNION TENDERS ELECTRONIC DAILY

Public procurement covers about 14% of EU GDP (around €2 trillion per year) (European Commission n.d.). Tenders Electronic Daily (TED), which is the electronic version of the EU official journal supplement - is a daily updated (5 days a week) website that brings European public procurement together in a single space. Its history begins in 1978 in the material form of paper. In the following years, its transformation continued into electronic, daily CD-ROM and DVD versions and various other versions (Publications Office of the European Union: TED Unit 2022, 1-4). Today, TED operates as a website, and its scale is demonstrated by the annually increasing number of purchase announcements (see Figure 4) and volume (€670 bn). During working days, 2,600 public procurement notices are published daily on the website, which can be easily viewed, searched and sorted by geographic location, CPV (Common Procurement Vocabulary) or other criteria. It is also worth noting that the purchase application or documentation can be read in 24 official languages of the European Union, which facilitates the quality and speed of information processing for business entities. Despite the many attractive factors described above, TED's main virtue is its free access for businesses (EU: Tenders Electronic Daily, 2022).

Figure 4. Published TED notices during last 5 years

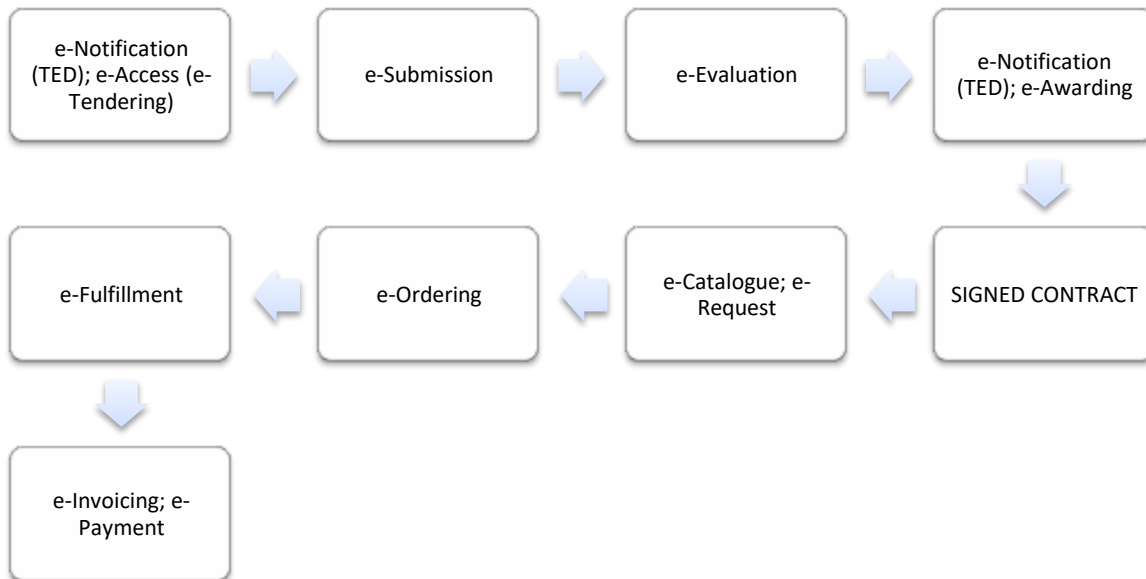


Source: EU: Tenders Electronic Daily, 2022

TED is the scope of European public procurement legislation, which includes: 4 European Directives on public procurement (general, utilities, concessions and defence); Financial Regulation (EU institutions, agencies, bodies); European Regulation establishing standard procurement forms; European Regulation on public transport procurement. Purchases are published on the site by: EU institutions or international organizations; EU member and candidate countries; European Economic Area countries; Government Procurement Agreement

Countries and others. However, it should be noted that the largest share in the list comes from public agencies of EU member states. The Publications Office of the EU is responsible for publishing the procurement application on the website. The speed of publication of the announcement is determined by the sender and the volume (see Figure 5) and maybe even up to 12 days (Publications Office of the European Union: TED Unit, 2022).

Figure 5. E-Procurement process on TED



Source: Publications Office of the European Union: TED Unit, 2022, 15

OPPORTUNITIES AND PROSPECTS FOR GEORGIA

The opening of the European public procurement market for business entities registered in Georgia means that access to the EU market will increase and they will have the opportunity to compete with foreign business entities. However, at the opening of the market, it is important to what extent Georgian business entities will be able to meet the requirements and properly fulfill the obligations within the framework of the purchase. The European market places special importance on quality. Therefore, in order to successfully operate in European public procurement, business entities registered in Georgia must take into account a number of factors related to licensing, certification and standards. From this point of view, the basic issue is the possession of CE marking for the organization, ISO standardization and etc.

Participation in European public procurement is not related to participation in Georgian public procurement or registration in the unified electronic system. Accordingly,

taking into account the Georgian legislation and the ease of doing business in the country, the mentioned event may be accompanied by a certain activation of the transfer of business from other countries (which do not have a similar opportunity) or registration in Georgia. The mentioned processes will contribute to the inflow of investments in Georgia, however, before that, it is necessary to properly inform and consult the local Georgian business sector.

Based on the territorial proximity, it is expected that the main focus will be initially on Eastern Europe, and the cooperation or cooperation of business entities registered in Georgia with local European suppliers will acquire special importance. At the initial stage, the business sector will have to organize transport and logistics processes. In this direction, it is promising to combine business efforts and create appropriate transport and logistics centers in the future.

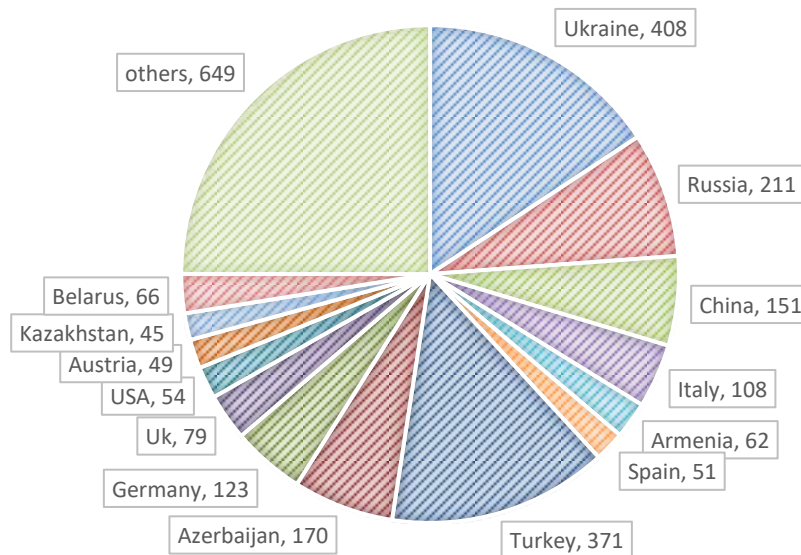
At the current stage, Georgia can offer quite a few procurement facilities for the European public procurement (goods) market, where agricultural products, including organic food, should be emphasized. It should also be noted the importance of the European public procurement market in the sale of Georgian blueberries.

After the opening of the service and construction work market, the hiring of Georgian emigrants working in the field of construction abroad by Georgian companies may be considered as a future perspective. Fulfilling obligations in this way can greatly simplify a number of issues related to staff mobilization.

Along with the greater opportunities of Georgia, the principle of pronouns should also be taken into account. The decision also means that business entities registered in the European Union will also have the opportunity to participate in state procurement in Georgia (EU: Publications Office of the EU, 2022), which will increase the competition of local companies. We can judge the participation of business entities from other countries in Georgian state procurement by the number and activity of non-resident suppliers registered in the unified electronic system.

At the end of 2021, a total of 2,596 non-resident suppliers from 87 countries of the world were registered in the unified electronic system (see Figure 6), which is about 5.28% of the suppliers registered in the system (total 49,174). More information about their activity is provided by the volume of signed contracts, which in 2021 amounted to 65 million GEL, about 2% of the total value of contracts signed on the basis of tenders (4,175,185,459 GEL). It should be noted that non-resident entities compete with Georgian suppliers mainly in the category of pharmaceutical products (CPV: 33600000) (Georgian State Procurement Agency, 2022, 23-26).

Figure 6. Non-resident suppliers registered in the Georgian public procurement electronic system, as of 2021



Source: Georgian State Procurement Agency, 2022, 23

In addition to electronic tenders, it is possible to carry out a simplified purchase from non-resident persons, where we face a small disparity at the legal level. When making a simplified purchase worth 5000 GEL and more, the supplier must be registered in the unified electronic system, however, this requirement does not apply to non-residents (State Procurement Agency, 2015, Article 9, p:1(1)).

CONCLUSIONS AND RECOMMENDATIONS

Thus, as discussed above, the opening of the European public procurement market is a step forward for Georgia's integration into the European space. From the perspective of the mentioned event, a number of benefits are possible, starting with direct and ending with side effects. In order to properly use the opportunities, several issues should be considered at the initial stage:

- Increasing the level of awareness and involvement of business entities registered in Georgia.
- Involvement of governmental and non-governmental agencies in consulting the business sector.
- Regulation of important certification, licensing or standardization issues for the European market.

- Finding ways to minimize transport costs.
- Planning and implementation of logistics processes or systems.
- Co-operation of efforts of sectors and in this way increasing competitiveness.

Operation in the European public procurement goods market will be a kind of preparatory stage for the opening of the further, more complex and profitable services and construction works market, where there will be much more interest.

In future, it will be interesting to conduct a sociological research among business subjects and to study the readiness or attitudes to enter the EU market. As a result, the hindering barriers that prevent organizations from participating in European public procurement will be revealed. The mentioned issues will be valuable for the State Procurement Agency of Georgia in the process of refining various regulation mechanisms.

REFERENCES

EU Association Committee. (2021). EUR-Lex: Official Journal of the European Union. An official website of the European Union. October 8. Retrieved July 28, 2022 from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:22021D1887>.

EU: Publications Office of the EU. (2022). Official Journal of the European Union: L 195. Vol. Volume 65. Luxemburg, July 22. Retrieved July 28, 2022 from <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2022:195:FULL&from=EN>.

EU: Tenders Electronic Daily. (2022). An official website of the European Union. Retrieved July 27, 2022 from <https://ted.europa.eu/>.

European Commission. n.d. An official website of the European Union. Retrieved August 2, 2022 from https://single-market-scoreboard.ec.europa.eu/policy_areas/public-procurement_en.

Georgian State Procurement Agency. (2022). 2021 activity report. annually, Georgian State Procurement Agency, Tbilisi. Retrieved July 28, 2022 from <http://procurement.gov.ge/files/showfiles?id=753badc3-0ada-4fe4-9639-481664f946ec>.

Georgian State Procurement Agency: Stats. (n.d). Retrieved July 28, 2022 from <http://stats.spa.ge/>.

Law of Georgia on Public Procurement (draft law). (2022). State Procurement Agency. Retrieved July 28, 2022 from <http://procurement.gov.ge/files/showfiles?id=034d22f6-7652-487a-845d-47f244306944>.

National Statistics Office of Georgia. (n.d). Retrieved July 28, 2022 from <https://www.geostat.ge>.

Publications Office of the European Union: TED Unit. (2022). SIMAP. An official website of the European Union. February. Retrieved July 27, 2022 from <https://simap.ted.europa.eu/documents/10184/166101/TED+Presentation+2022/19e97f24-9245-45ef-98a1-24fe8d599293>.

State Procurement Agency. (2015). Order of the Chairman of the State Procurement Agency No. 13 on determining the criteria for simplified procurement and approving the procedure for conducting simplified procurement. Tbilisi, August 17. Retrieved July 29, 2022 from <https://matsne.gov.ge/ka/document/view/2951669?publication=14>.