



**TRANSPARENCY INTERNATIONAL**  
anti-corruption center

**ABSTRACT OF POLICY PAPER ON  
MONITORING OF SOME MAJOR COMPONENTS  
OF PUBLIC PROCUREMENT SYSTEM  
IN THE REPUBLIC OF ARMENIA**

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Fair and transparent public procurement markets are a focal point of global and regional trade agreements and are necessary for increasing Foreign Direct Investment. Given the importance of public procurement for the Armenian economy, it is important to discuss and debate the effectiveness of the procurement system in Armenia. This study aims to make a contribution to this debate.

Our analysis and interviews underline the following challenges when competing for public contracts:

- Difficulty in obtaining timely, accurate information,
- Lack of communication of detailed evaluation criteria,
- Trend towards decentralization of tenders leading to more costs and ineffectiveness, less transparency,
- Unfair implementation of public procurement awards,
- Predominance of restricted tenders (single source procurement),
- Unsatisfactory appeals procedures/Low trust of the system.

Since 2007, Transparency International Anti-corruption NGO (hereafter TIAC) has proposed a number of recommendations aimed at reforming Armenia's overall public procurement system. These recommendations are primarily addressed to Armenian policymakers, as a contribution to the mature, business-oriented debate required to improving the fairness, transparency and efficiency of public and government procurement in Armenia.

These general recommendations are:

- ✓ Ensure all bidders have equal access to information at the start of the bid,
- ✓ Enforce transparency and fair evaluations during the tendering process,
- ✓ Streamline the legal framework for public procurement in Armenia,

Armenia has served as a member of WTO GPA since September 15th, 2011, accepting principles of openness, transparency and non-discrimination. To evaluate the implementation of the principles mentioned above, TIAC conducted monitoring from 2011-2012. During this process, some supplementary results and observations were identified which are presented in this paper. The monitoring covers the following areas:

- Brief analysis of the procurement legal framework,
- An analysis of Procurement Support Center (PSC) functions,
- Data analysis based on information available on the official procurement web site<sup>1</sup>,

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<sup>1</sup> [www.procurement.am](http://www.procurement.am)

- An analysis of procurement plans and technical specifications.

A) Legal framework

Some legislation needs to be adopted. In particular;

1. The regulatory framework, which still lacks contracts from over 50 procurement base units outside of Armenia.
2. Contract amendments when cases are due to exogenous variables and unconnected to contract parties are not defined by GoA.
3. Define circulation and publication frequency of statistical information.

B) Analysis of PSC's functions

Some of the SPC's deliverables should be strengthened: Namely,

1. The training content and efficiency,
2. The list of prequalified bidders is not published and available,
3. Frequency and the content of reports,

C) Maintenance of the official procurement web site

Some of the information on procurement official web site should be strengthened: Namely,

1. Be more friendly (especially towards the non-residents),
2. Be transparent on procurements done by utility companies,
3. The procurement plans and their updates,

D) Analysis of procurement plans and technical specifications.

Our analyses indicate a presence of many problems with regard to technical specifications. This observation is based on a) number of variations in the invitation b) the significant variations between prices suggested by bidders (especially with regard to framework agreements). Finally, the risk-analysis of tenders was conducted and some signals of possible corruption risks were identified. In particular a red flag in the procurement toolkit was used. Our analyses indicate that the procurement system in Armenia is still inefficient and ineffective. This judgement is based on the following facts:

1. The information access has a lot of loopholes,
2. Almost 45% of e-tenders were cancelled,
3. Almost 60% of tenders were done by restrictive methods (single source),
4. Inefficient and ineffective complaint system,
5. Almost 30% of framework agreements can be considered risky

These findings indicate that despite ongoing reforms, the public procurement system can still be considered as middle to high risk area.