

AMERICAN UNIVERSITY OF ARMENIA

**E-Government as a way to Fight Corruption in
Public Procurement System**

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E-GOVERNMENT AS A WAY TO FIGHT CORRUPTION IN PUBLIC PROCUREMENT SYSTEM

CHAPTER I: INTRODUCTION

For many years different scholars had examined the role and effectiveness of electronic means in government procedures in practice and analyzed the level of their productiveness in reducing corruption in all over the world. Corruption is a problematic issue because no state is insured of corruption cases while it even has a nature of continuously harming the strong basis of statehood. The high levels of corruption in the public procurement field means that the states are not able to ensure high level public work and services, the state budget is being lost in a high

This capstone project discusses e-Government as a way to fight Corruption in Public Procurement system of Armenia. During last years the implementation of e-Government is on the public discussion agenda in Armenia. This is because e-government is one of the strategies that can bring Armenia closer to international standards, make the administration flexible, save a tangible amount of money from the state budget, prevent corruption risks in the state, etc.

Nowadays a lot of developing countries are facing the issue of combating corruption. There are several international organizations that are motivated to help the countries in achieving positive developments in their actions against corruption. One of those

international institutions is the Organization for Economic Co-Operation and Development (hereinafter OECD) where thirty states have joined to find solutions to several social, economic, and environmental treats to the globe. One of those concerning issues for the OECD is the corruption problem in public procurement system because it destabilizes welfare and markets, erodes the trust towards the leaders, the institutions and the businesses as well.

In its turn, the World Bank has done a lot of job in this sphere. Having the purpose to decrees the poverty levels in the world and having the motivation of income growth of 40% in every state, this organization also concentrates on the development of the procurement systems in many states. It has different guidelines for the states and provides various grants leading the states to a development and democracy. The republic of Armenia follows the guidelines of both the OECD and the World Bank and their cooperation is under the interests of this research project.

This capstone will examine the influence of The World Trade Organization (WTO) agreements and guidelines in the RA public procurement system in the elimination of corruption there. The public procurement field is under the interest of WTO and Armenia is a WTO member since 5 February 2003.

In Armenia also there is a high level of corruption, measured first of all by high level of corruption perception. The public procurement field also has to be considered as a target point of anti-corruption measurements in Armenia because public procurement all over the world is one of the most sensitive areas of interaction with the public and source of frequent corruption, and here also there is a need of implementing developed anti-

corruption policies on practice. E-Government has been implemented in the field of public procurement system of Armenia, and the results still have to be assessed comprehensively.

The main aim of this capstone project is to find out the basic measures which are taken in different states and especially in the Republic of Armenia to develop the Public Procurement system. It is important for this research to find out whether the E-government has a role or not in the mentioned development, and in what proportion. Furthermore, as Armenia is one of the states that has applied the e-government on the public procurement system this research will also examine and discover the failures of the Government of Armenia during the implementation of e-government in Public procurement system. Finally, this capstone project will analyze the combined data and explore the achieved results of applying e-government to the public procurement.

CHAPTER II: LITERATURE REVIEW

Corruption is a problematic issue in many countries. Many, if not all, developed and developing states made policies on reducing corruption, thus giving an opportunity to scholars for examining corruption as an issue of most importance, discuss the uniqueness of each anti-corruption policy and the results that these policies achieve. The surveys which are used to calculate the corruption perception index proved that corruption is not only a developing world phenomenon but it is also wide-spread all over the world (Transparency International 2012).

CORRUPTION IN POST-SOVIET STATES

However, there are a lot of scholars who argue that corruption is specifically typical for post communist states especially for the states from the former Soviet Union. According to Lovell (2005) in many post-Soviet states corruption has an endemic nature. Its endemic character is noticed in all corruption related researches and surveys done on post communist societies. Lovell explains that the endemic corruption occurs when the state faces a transition to rational-legal structure of rule from public administrations. In social relationships this transformation is attached to the transition from traditional way of life to an individualistic one (Lovell, 2005). In the majority of post Soviet states corruption has violated and continues to violate the development of those states' economy and the democracy as well. This is a highly problematic issue because the democracy and trade are

vital attributes for post communist citizen's quality of life. They are surviving under the transition from one regime to another and the developed market and regime are basic necessities for them to overcome the challenges of newly gained independence and continuous transition. The main reason that Lovell has this type of viewpoint is the heritage of corruption under the Soviet rule. There are several characteristics rooted in people's mind:

- the lack of proficient administration,
- the absence of clear diversification of private and public spheres,
- the usage of authority for individual benefits.

These points are transferred to post-Soviet states in people's mentality from their Soviet Union experience. Besides, the civil servants were not motivated to be professionalized in public administration sphere (Lovell, 2005). As Mauro (1998) claims, one of the main reasons that the post communist states face high level of corruption is the fact that in the Soviet times of privatization a lot of people got used to sale the public property (Mauro 1998). In the course of privatization the Judiciary system also was corrupted. The case continues until today in the majority, if not in all of the states of the former Soviet Union (Sokolov, 1998). Sokolov claims that the Soviet Judiciary system has never been independent from the authority.

So, as Ledeneva states, the ordinary citizens of Soviet Union were used to give and take bribes. It is difficult to change people's mentality in a speedy way, and democracy still has a hard work to do in post communist countries to improve the situation (Ledeneva, 1998). On the other hand, numerous scholars argue that those transition states which have a comparatively low level of corruption are more motivated to adopt new and internationally

accepted anti-corruption measures than the states which are familiar with high levels of corruption (Steves et al., 2005; Gray et al., 2004; Parnini, 2011).

COMBATING CORRUPTION OUT OF THE REPUBLIC OF ARMENIA

Besides the former Soviet Union states there are other countries as well combating corruption. Even though it is hard to calculate the real costs of corruption, however there are many countries that take action to reduce corruption by making anti-corruption policies, because corruption strongly harms the development of state's institutions (Büchne et al., 2008). The existing level of corruption in Asian states is based on two main factors:

- the causes that bring to existence of corruption and
- the effectiveness of the taken measures by the authorities.

The nature of the governments provides them the opportunity to reduce or eliminate corruption in the country. Here the effective anti-corruption strategies play a huge role (Quash, 1999). The case of South Africa is an example of implementing numerous anti-corruption projects in the country in a purpose of intensifying the accountability, developing the democracy and for many other reasons (Corruption in South Africa, 2000).

According to some scholars, there are a lot of cases in international politics that the states adopt good and efficient anti-corruption strategies; however, they do not use them in reality as a result of the absence of political will. Thailand, South Korea and Philippines are those examples. In South Korea corruption has become an ordinary way of life. The Thailand's case is considered to be a "hopeless" one because their anti-corruption strategies have never achieved any positive results (Quash,1999; Rose-Ackerman,1999). Nigeria also

is familiar with its failed attempts to combat corruption because as much the state fights corruption as low is the result according to public perception in Nigeria (Bryane, 2010).

PUBLIC PROCUREMENT: TARGET OF ANTI-CORRUPTION MEASURES

Public procurement has an important function in governance and it is a target for anti-corruption measures in many states because of its direct impact on society (Büchne et al. 2008). Ineffective and inadequate rules on public procurement are able to create a basis for bribery. This basis is usually formed as a result of the unrestricted interface among the private sellers (operators) and the public procurement agents. If the government does not control the procurement agents' and private operators' activities or does not deeply examine the actions of public procurement authorities, the bribery intensively extends in the country. As a result of bribery and corruption the efficiency of the public procurement system and the formality of purchased goods is violated (OECD, 2007).

According to World Government Organization (hereinafter WTO) Agreement on Government Procurement (hereinafter GPA) the formal competition has several types:

- a. open procurement (sometimes it is called unlimited),
- b. selective procurement,
- c. limited or negotiated procurement which includes individual, single/sole-source tendering¹ (WTO, 2012).

¹The used terms match to the WTO GPA

Besides the formal ways of procurement there are some informal ways as well. The requests for quotations or proposals, by which the procurers follow various detailed proposals based on which they conduct the discussions with the expected providers, are considered to be informal methods (OECD, 2007).

Analyzing the incentives and motivations of corruption among people both in developed and developing countries, scholars concluded that in the sphere of public procurement the corruption level is high mostly in developing countries (Pier and McCue 2006). For example, in Uganda about \$107 million is used up for corruption every year, because the government spends it on fighting corruption. According to Mughazi (2005) most of this money is lost to public procurement-related corruption and if the PPDA will succeed in eliminating corruption from this field, the 17% of the state budget will be saved (Mugazi 2005). Public procurement is highly controlled in Uganda by the PPDA (The Public Procurement & Disposal of Public Assets Authority), but in Uganda there are still high number of corruption cases (Ntayii et al. 2010).

Kenya also had failures to prevent corruption in public procurement system. However, since December 2002, a new democratically elected government started some actions against corruption. As a result of this, a new law was established on government procurement as a guarantee against corruption cases. Soon after the implementation of this law the positive results were visible, and the number of corruption cases decreased, proving that the enforcement of law is a productive measure in the struggle against corruption (Mosoti 2005).

South Africa also is a nice example because by the help of its constitution it has a well developed public procurement system (Williams, 2007). According to Williams, the

constitution of South Africa is specifically designed having a purpose to combat corruption because it directly prohibits the executive wing of the SA government, the Judiciary and the Parliament to make one-sided decisions and all of them are forced to be responsible for their decisions. In his article Williams (2007) examined governmental provisions in South Africa, concentrating on the elimination of corrupt and dishonest suppliers from various public contracts. According to this scholar, the procurement process will not be disrupted if the corrupt suppliers are forced by constitution to ensure transparency, maximum fairness and simplicity in public procurement contracts.

E-GOVERNMENT AS A TOOL OF CONTROL

E-government is used in some states in order to re-establish the control of the authorities over the state institutions (Randolph 2005). E-Government (Electronic Government) is about the use and operation of ICT (Information and Communication Technologies) and other internet based communication technologies in order to improve the effective service delivery for public (United Nations 2014). It helps to improve the ways of data gathering process among different institutions which helps to save money, time and many other important resources of the countries (United Nations 2014). Moreover, it helps the policy-making process, eliminates the corruption in the country and increases the level of accountability (Randolph 2005). Mateja Podlogar (2007) argues that e-procurement is a key tool in increasing the states' and organizations' economic opportunities in business competition because new economy demands new technologies and quick distribution of information. This scholar brings several factors which underline the importance of conducting procurement in electronic way.

- The first one is the cost factor which, if taken into account, will assist to save the state budget in considerably high proportion.
- The second factor is the time because the electronic procurement will make the process more quickly and productive (Podlogar 2007).

Leonard Komp (1999) underlines the importance of process simplification factor also because during the procurement processes electronic administration helps to check the availability of goods, to search any data about the specific good, improves the technical support, the easy return of the good and etc (Komp 1999). These factors will help all the states and organizations to be prepared for the procurement in a more appropriate way and to have a success in global market (Podlogar, 2007).

CHAPTER III: RESEARCH QUESTIONS & METHODOLOGY

HYPOTHESIS AND RESEARCH QUESTIONS

The most important objective of this research is to examine the role of E-government in reducing corruption in the public procurement sector. For this purpose, as a very first step, it is necessary to look at the international experience both in practice and in theory. The basic measures taken in different states are the targets of this examination from the perspective of finding several successful and unlucky experiences of public procurement system management. The international organizations such as the World Trade Organization, World Bank, and the Organization for Economic Co-operation and Development (OECD) play a huge role in development the public procurement system of

many states by settling different procedures, guidelines and audits for them. The Republic of Armenia is not an exception also because, in order to develop the Public Procurement system, it also has to follow the international guidelines.

Besides, the Republic of Armenia had applied e-government mechanisms in its public procurement system. For this capstone it is important to examine the effectiveness of the e-government in this field and to discover the failures of the government during its implementation, compared to the international standards. On the other hand, this thesis will also concentrate on exploring the achieved results after the application of e-government to the public procurement system of Armenia.

So, in order to find out the real picture of e-government in the system of public procurement in Armenia it is important to answer the below mentioned research questions:

*RQ.1: Which are the measures taken to develop the Public Procurement System?
What is the role of E-government in it?*

RQ.2: What were the government failures during the implementation of e-government in Public procurement system?

RQ3: After 5 years, what are the results of applying e-government to the public procurement system of Armenia?

The following hypothesis derives from the objectives of this research.

H1: The corruption level has been decreased in Armenia by the application of E-government to the Public Procurement system

RESEARCH DESIGN AND DATA COLLECTION STRATEGY

In order to answer the research questions, and accept or reject the aforementioned hypothesis, this capstone project is based on exploratory research design using a secondary quantitative and a qualitative data during the examination. In order to do content analyses, this research will firstly rely on a secondary data gathering and explore the accepted measures taken to develop the Public Procurement System, the role of the E-government in it. This research design will give the opportunity to find out the basic norms and rules that the states have to adopt in order to fight corruption, insure democracy in the state, especially in the public procurement system (because it is at most importance for this thesis) and to be appropriate to the international standards.

Particularly, this design will help to address the second part of our first research question and examine the role of e-government in public procurement sector development by gathering data from the guidelines of several international organizations. The qualitative phase of the research will form the gathered data from the guidelines, surveys, assessment reports, agreements, of the international organizations such as the World Bank, Transparency International, the United Nations, Organization for Economic Co-Operation and Development and World Trade Organization.

The content analyses of the capstone project also include several state documents such as the Anti-corruption strategy of the Republic of Armenia and its implementation action plan, the existing drafts and Law on public procurement, the annual reports of the

Control Chamber of the Republic of Armenia and etc. to find the answers of our second and third research questions. The annual reports of the Control Chamber of the Republic of Armenia are chosen as targets of examination for this capstone because this body has been created in Armenia in order to control the financial procedures, to follow the movement of the state revenues and to do analyses of state reports connected to financial transfers, procedures and public procurement.

In order to find the government's failures in implementation of e-government in Public procurement system the above mentioned reports are useful to examine because they, in annual basis, give the developments e-government in the public procurement system of the Republic of Armenia and by this assist to answer the second research question of this capstone project. In order to answer the second research question more comprehensively, a data is collected from the findings of the Transparency International (TI) organization in Armenia also. TI is considered a reliable source for this thesis because it is familiar by creating international anti-corruption conventions, with a gain to prosecute the corrupt leaders, reports on corruption level in different fields of management and etc. For instance the TI in Armenia has done Monitoring of Public Procurement System of Armenia for 2011-2013 and that document also is analyzed in this research project.

Besides the first tools of qualitative research, the reports of the Control Chamber of the Republic of Armenia, several monitoring results, and the reports of different international organizations such as the World Trade Organization, World Bank, OECD, Transparency International and etc, second qualitative research tool is needed to answer the third research question. In order to understand whether the best international practice has become part of the public procurement system of Armenia or not, the research chooses the

in-depth interviews with at least five experts from the fields of public procurement, electronic government and anti-corruption policy making as the second qualitative research instrument. The experts are chosen people from the government bodies and non-governmental organizations. They are people standing in the roots of e-government, familiar with public procurement system and the anti-corruption policies of the Republic of Armenia. This will help to find more comprehensive answers to the second and third research questions after conducting in-depth interviews.

LIMITATIONS OF THE STUDY

One of the main limitations to conduct this research is considered to be the absence of the exact data on corruption cases in public procurement system before and after the implementation of e-government on it. The level of corruption in any sphere is measured by public perception. The public procurement sphere is not directly related to the actions of the citizens as it is related for example in the education of healthcare spheres. So it is not possible to conduct a survey and to reveal the percentage of the influence of e-government in reducing corruption in the public procurement system. The only measurable thing is considered to be the transparency.

Another limitation of this capstone project is recognized the time factor. As a result of time limitations it is not possible to examine the all legal reports of the procurers and find an exact number of shortcomings, inappropriateness and analyze them after the implementation of e-government on public procurement system. These limitations will limit our capacity to test the hypothesis of this research study more comprehensively and based on primary data collection tools.

CHAPTER IV: FINDINGS

Corruption is a phenomenon with an ability to be widespread in all segments of society and in national and local levels of the government. Basically, public services are vulnerable from corruption because in the majority of the states the wages are low in this sphere and the public servants make deals to get additional money. If there are no sufficient mechanisms of checks and balances, the level of corruption should stay high and challenging for the transparency in the state and the development of democracy. In order to minimize the risk of corruption, several states have adopted electronic government in a purpose to conduct e-procurement by a centralized web portal and to disclose the flow of information connected to the procurement procedures. This method helps to force the bidder official to post all the information and do not use the opportunity for private interests and benefits.

To exclude the challenges of corruption from the public procurement system there are various internationally recognised rules on this system and many states still have defficiency in appliingng the rules on their public procurement sytem for making appropriate regulations (OECD, 2007).

As a result of various discussions connected to the corruption risks in public procurement system, the chosen track towards a constant development of the Republic of Armenia and the Government's motivation to come closer to the international standards in conducting procurement, the transforming RA's public procurement system to a

transparent, effective and a competitive one has become a key element of the state's reform agenda.

FORMATION & EARLY DEVELOPMENT OF PUBLIC PROCUREMENT SYSTEM

In 1991, after the independence, the government of Armenia formed its public procurement system parallel to the transition from the centralized economy to a market one. Since 2000, simultaneously with the improvements in the business environment and the creation of higher opportunities for both foreign and domestic investments, Armenia started to do reforms in the public procurement system (World Bank, 2009).

One of his press conferences, Karen Brutyan, a representative of the Ministry of Finances, mentioned, "...as a result of the development of the electronic procurement system the corruption risks should be minimized" (A1plus, 2005).

As an international actor, the World Bank has played an underlined role in the development of public procurement system of Armenia. The World Bank has a purpose to decrease the poverty levels of the states and it has a plan to approach the income growth to 40% in each country of the world. The important detail for this research project is the fact the World Bank also is focused on the development and improvement of the procurement systems in numerous states. To achieve this goal it had developed various guidelines for many countries and had provided grants to the states to achieve development and to deepen the democracy and transparency.

For 2004-2008 World Bank created an assistance strategy for Armenia and an agenda for reforms. Following the Country Procurement Assessment Report (CPAR) of 2004, the

government of Armenia implemented various recommendations from the action plan of CPAR. Before the above mentioned, in 2003 the Government of Armenia won a grant of approximately USD 50.000 from the World Bank to develop the electronic procurement system in the state. As a consequence to this, in 2005 a lot of discussions have been organized among many officials from the Ministries of Armenia and several specialists invited from US Agency for International Development, to find optimal solutions for developing the field of electronic procurement in Armenia. However, it should be noted, that the internet connection was a problematic issue during this period in Armenia, as the access to it was still expensive and the connection was slow.

The Public Procurement Law started to be developed since this period. The article 8 of the 2000 Law draft concentrated on electronic procurements only stating that the communications connected to the public procurement can be experienced electronically taking into consideration the provisions which are prescribed in the mentioned article. According the Draft Law, since the moment of its entering into the force all kind of invitations and announcements connected to the public procurement could be legally disseminated in an electronic way (if there occurs a necessity and request, the hard copies also should to be provided). In the article 8 it was also stated that the tenders, which were prescribed by an invitation, should get the opportunity to be submitted in electronic way. Furthermore, the particular issues connected to the procedure of e-government should be “stipulated by the RA government” (RA Government, 2000; pp. 5-6).

The Non-governmental organization called Transparency International mentioned about the development of public the procurements system of Armenia and defined two

main types of advantages that the continuous development of this system could bring to the Republic of Armenia:

- advantages from political perspective;
- advantages from economic perspective.

The political advantages that the public procurement system will gain are first of all based on the development of the democratic norms in the state. As much the state will achieve success in advancing the public procurement system, that much it will come closer to the international standards and that much it will gain international reputation. Political advantages will help people to get access to the information, to have new developed standards in the system, save time, and, as a result, prevent the corruption risks. The same logic is accepted for the point of economic advantages that the development can bring to the state. As a result of economic advantages the state will higher its opportunity to save time during the procurement processes and to save money from state funds. Besides, according to the Transparency International, the economic advantages will simplify the process of procurement which will hire the satisfaction of the clients (Transparency International 2013).

PUBLIC PROCUREMENT SECTOR BEFORE THE 2011 REFORMS

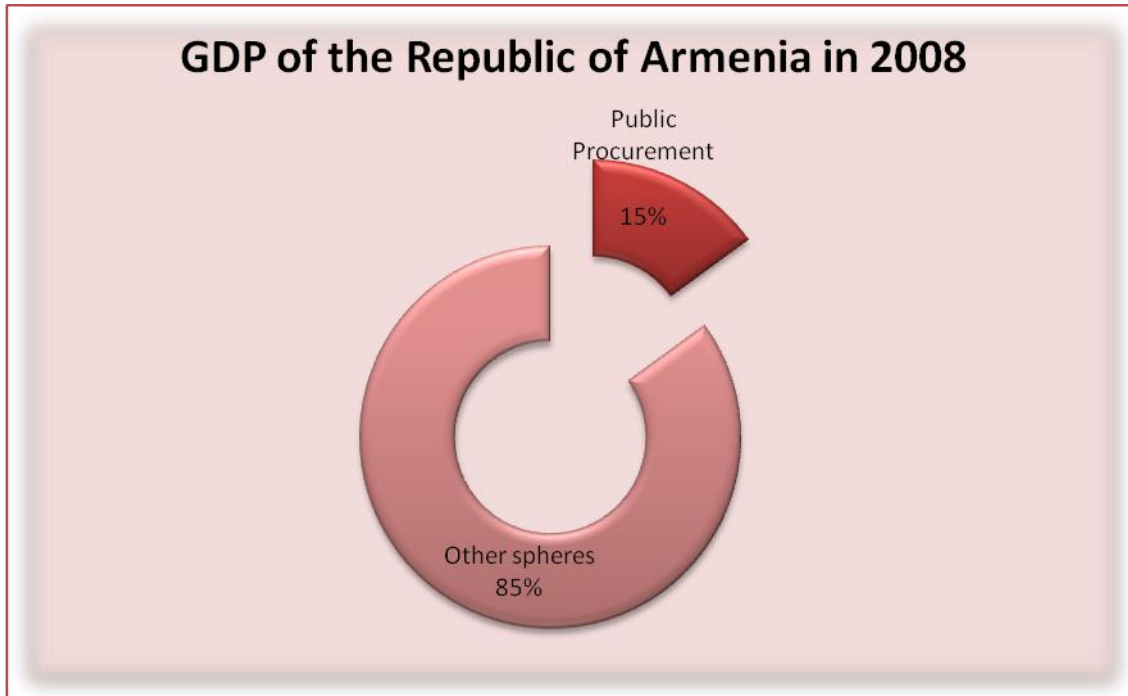
In order to achieve the above mentioned advantages corresponding to the international practice, the Ministry of Finances established several decrees, EU directives, the procurement guidelines of World Bank and the example of several successful states in this field. During this period the Ministry of Finances got a high role because it was the

authorized body to organize the public procurement controlling the State Procurement Agency. As a result of this, the procurement system was centralized, and the State Procurement Agency finalized and distributed the bidding documents.

Moreover, for experiencing more transparent Government Procurement, the electronic Government Procurement system was established and in January of 2006 the electronic government procurement strategy was approved. Then the www.procurement.am web-site was enhanced to inform about the procurement chances, the electronic tendering² and electronic purchasing systems has been developed sowing the early phase of new developments (World Bank, 2009).

The Figure 1 shows that according to the data of World Bank of 2008, the public procurement of services, goods and works in the Republic of Armenia created approximately the 15% of the GDP (measured US \$12 billion reciprocally) during the mentioned year (World Bank, 2009).

² There are various ways of tendering in conducting a public procurement. As a first point of procurement it is necessary to specify the required products and the services and ask the firms to conform or mention any price, several terms and conditions of the product in a written form. Then the firm offers the decided price, quality and some other factors if necessary. This way of formal tendering is specific to the procurement cases when there is no discussion between the bidders and the procuring organs (OECD, 2007).



During this year a new system was introduced (Mulberry) to manage and control the documents in electronic way (RA Government 2010). The effectiveness of this system was in

- interconnectedness of 35 agencies in the state,
- the efficient management of the flow of the documents,
- the combination of electronic documents and other materials in a centralized way,
- the controlling opportunities of the documents' movement,
- time saving as a result of the quick way of document searching,
- the opportunity of several divisions or subdivisions to work in a simultaneous way,
- and the avoidance of the chances to lose the documents.

Moreover, in 2008 a center was founded by the government to provide electronic signatures and, as a result of this, over 6500 electronic signatures have been delivered since 2008 to 2012.

On June 29, 2009 the World Bank published a “Country Procurement Assessment Report” on the Republic of Armenia (World Bank, 2009). According to the report, even though Armenia has made some progress, however a lot of work still remained to be done for the public procurement system development. Before 2009 the most successful achievements of Armenia in the public procurement system were gained in the legislative framework, and the improvement of this segment approached Armenia to international standards more than any other segment in public procurement system. According to “The Methodology for Assessment of National Procurement Systems - based on Indicators from OECD-DAC World Bank Methodology” there are 4 “pillars” to measure the procurement functioning:

- the legislative and the regulatory framework of the country,
- institutional and management capability of the state,
- market performances and purchasing processes and,
- transparency and integrity of the PP (public procurement) structure.

Figure 1 - Armenia's Procurement System Compared to International Best Practice

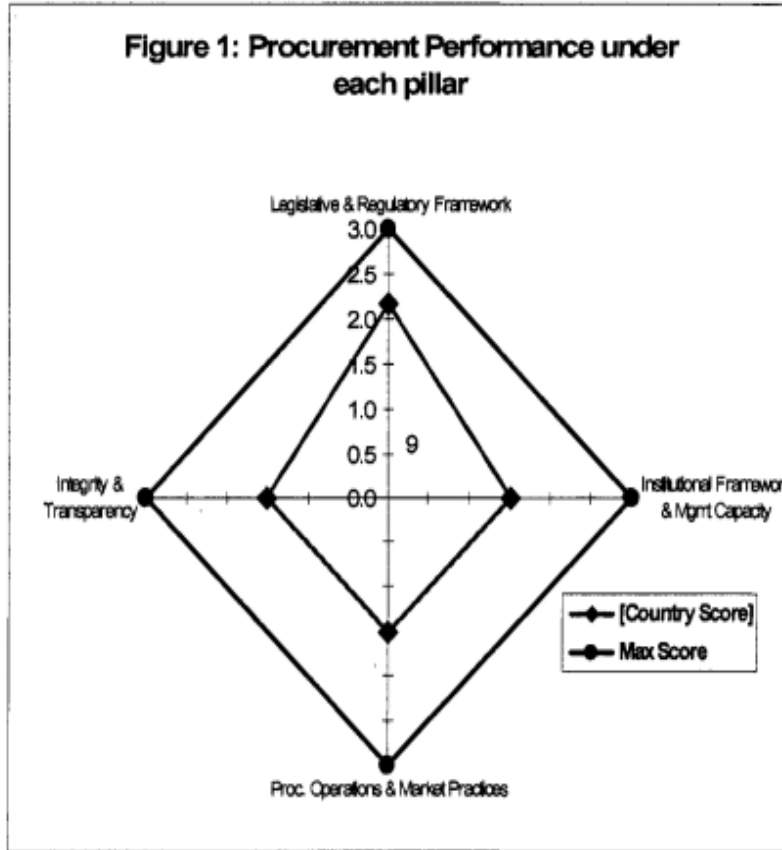


Figure 2

In order to measure each subindicator it is assigned a score of 0 to 3 to the above mentioned subindicators. The higher the achievement of the standards in any indicator the upwards is the score from 0 to 3 (0- failure, 1- need for a considerable work, 2- less achievement than needed, 3- full achievement of standards).

As the Figure 2 shows, as a result of the monitoring in Armenian procurement system, the pillar which was considerably closer to the international standards than the other pillars was the legislative one. On the other hand, the scores for the institutional and management capacity of the state, the market performance and the purchasing process and the

transparency of public procurement system showed that still there was a need of significant improvements.

According to the OECD data combined in “Anti-corruption Reforms in Eastern Europe and Central Asia: Progress and Challenges, 2009-2013” before 2011 a semi-centralized system was adopted on RA State Procurement Agency operations. In 2009 the Government of the Republic of Armenia adopted a strategy and an action plan for the improvement of procurement system (OECD 2013, p.130).

The role of electronic type of procurement is important in reduction the corruption for any state. The RA Anti-Corruption Strategy is a useful document which combines all the types of anti-corruption policies in the state. The last and the second Anti-Corruption Strategy and its Implementation Action Plan (ACSIAP), which has been implemented in 2009, has a purpose to create a successful public administration structure and to fight corruption in the Republic of Armenia. Being an action plan, it had introduced several expectations connected to the reduction of high levels of corruption in the state.

According to the strategy, in order to achieve the mentioned results an improvement of public service quality is needed. Other beneficial aspects from this perspective are the development of the management of public finances especially in the system of public procurement field enforcing new regulations in the system and dropping the systemic nature of corruption in the Republic of Armenia (RA Government, 2009).

The RA Anti-corruption strategy also concentrated on the procurement from single source underlining that in some spheres the level of single-source procurement is high especially in education and healthcare sectors. The Anti-corruption strategy brought a new problem to the arena of our examination. The language of the information is a problem

because the information is put in the web-site of the electronic procurement, while it is put mainly in Armenian which makes the web-site reachable only for the people who know Armenian language, for the organizations which are settled in Armenia and for the non-residents the bidding process becomes almost impossible.

Besides, the Strategy considered problematic the issue of internet connection absence in the rural communities of Armenia, as it made the information opportunities unequal for the citizens and several organizations situated in rural areas (RA Government, 2009). However, as the Anti-corruption strategy was made in 2009, the internet distribution is analyzed according to the data of that period. Currently the internet issue is comparatively regulated in Armenia from the perspective of equal distribution of it so to consider this issue concerning during the analysis of this capstone will not be appropriate.

PUBLIC PROCUREMENT SECTOR AFTER THE 2011 REFORMS

The RA Law on Procurement has been established on December 22, 2010. The scope of the law regulations includes the relations connected to the procurement of goods which is done by the state governance bodies or/and local self governmental bodies, the Central Bank of RA, the state agencies, the state or even the non-profit organizations with 50% of shares with the state. In addition to this, the law decrees the rights and duties of existing parties in the procurement process (RA 2000; p. 1).

The law has entered into the force since 1 January 2011. In September, the Republic of Armenia became the first Istanbul Action Plan (IAP) state to comply on the World Trade

Organization's agreement on government procurement (OECD 2013). As supplementary information it should be stated that the World Trade Organization (WTO) considers being the main international organization which is concentrated on trade negotiations, goods, intellectual properties and properties. It includes individual states as target points to develop their economy, to insure economic stability in the world and etc. The WTO constructs various procedures and agreements for member states for settling the disputes in the above mentioned spheres.

So the enforcement of the Law on Procurement in 2011 and the attachment to the WTO Istanbul plan are considered to be the first steps of reforms for the public procurement system of the Republic of Armenia. The public procurement institutional bodies were perceived as the target points of the Law. For instance, the Procurement Appeals Board was considered to be the most independent body which was involved in appealing the procurement procedures. The Ministry of Finance supported several capacity building projects of the Board and there are several international organizations also that promote its functioning process.

Before implementing the new developments in e-procurement system of Armenia there has firstly been a need to test the existing e-procurement system (the hardware and software arrangements) in the country. So in October 2011 three governmental bodies were chosen which have already had the experience of organizing procurement procedures via e-procurement system. In order to arrange the formal functioning of the e-procurement system “The procedures of electronic procurements” was developed by the Ministry of Finance and, in its turn, the government gave its approval. According to this decision of the government, in consonance with the Law on Procurements, all the state bodies started to

carry out procurement procedure openly by e-procurement since January 2012. The Law on Procurement became a tool to make complete the public procurement system and to make it more confident in functioning (OECD 2012).

After the independence, the states have a need to create their economic and financial system and to lead the country under liberal economic conditions. Armenia also is not an exception as it also created the above mentioned system. The Control Chamber of the Republic of Armenia “performs control in the terms of observations, checks, cross checks, analyses, as well as by the types of financial, compliance, efficiency (performance) and environmental audits (CoC 2015).

The Public procurements also are under the scope of the Control Chamber’s inspections and the public procurement field is illustrated in the Chambers Annual reports. The annual report of the RA Control Chamber of 2011³, addressing the Procurement system inspections, demonstrates that even though during 2011 RA Procurement system was in a reformation period, however the procurement process was still classified as unproductive, anti-competitive, discriminatory and not transparent (CoC 2011, p.2).

In aforementioned report the Control Chamber underlines that during the public procurement process the prices “deviated” from the existing market prices. What concerns to the issue of competitiveness, then the agreements are characterized as “anti-competitive” because of the existence of “out-of-competition” conditions as a result of formally conducted competition cases. Besides, the purchase was held by “mediators”, as the participants of the bidding process were not importers or exporters of the goods, which

³ This capstone concentrates on the Control Chamber of the Republic of Armenia’s reports created after the application of electronic system to the RA public procurement processes.

automatically raised the prices. In construction procedures the calculations of the prices were non-realistic and the data was not accurately drafted. There were several cases of violations of the contract requirements and the state funds were not used efficiently.

The 2011 report brings several examples for the above mentioned violations and one of those is the Hovtashat community's (in Ararat region) road asphaltting case. According to the report the works on the roads were based on state funds and were done in such a poor quality that after around six months there was a need of new asphaltting because the traffic became impossible. As a result of this, the expenditure is characterized in efficient.

Another example is connected to the ineffective expenditure of AMD 32,958,800 done by the State Scientific Committee of the RA Ministry of Science and Education because, according to the Chamber's 2011 report, several scientific researches, publications and projects have been funded twice by mistake (CoC 2011, pp. 2-3).

According to the "2012 annual report of the Control Chamber of the Republic of Armenia" the procurement field in Armenia

- was not still transparent,
- the processes were inefficient and anti-competitive,
- several procedures were organized in a non public way and in a inequitable basis.

This report separates two core negative issues connected to the procurement.

- a) The first one underlines the fact that for the needs of the state, Armenia pays higher amounts of money for several services and works than is planned and then the real cost of the services is.

- b) The second core problem is connected to the final results of the procurement. Here the report emphasizes that the initially expected results of procurement, payment for works and services is not finally achieved by the state as a result of the low quality services or products (CoC 2012, p.4).

The report considers the fields of road construction, urban development and the appliance of consultation services under the highest risk during the procurement experiences especially in the stages of planning of the process, organizing, the management of the contracts and monitoring of the process. In 2012 also the Chamber considered the situation in the Public Procurement system disturbing; however there are visible several positives expectations. The expectations are connected to the high motivation and plans of the Ministry of Finance to develop the e-procurement system in Armenia.

The 2012 report also concentrates on the periodical discussions and workshops that have been conducted in a purpose of developing the e-procurement system in the Republic of Armenia, on international specialists invited to Armenia, on the money spent on organizing this kind of measures and, finally, it does not consider the system completely workable. It is also underlined that, according to the Chamber's 2012 data analyses, the resources used for the development of the e-procurement system, have not given the results that were expected for 2012 (CoC 2012, p. 5).

The "Annual Report of the Control Chamber of the Republic of Armenia 2013" is different from the previously introduced annual report because, for the first time, it commenced an assessment of the effectiveness of the procurement system. The Chamber has done an audit of the transactions that have been implemented in 2013 which helped to

improve and rectify the situation in the critical places, accomplish the shortcomings and fix the irregularities.

According to the 2013 report, the audits had their positive results as a large amount of money has been saved from the state budget. The report underlines the importance of the audits' continuous nature especially for specific projects. The example is brought on the procurement of vaccines provided for cattle as the permanent control over the sphere helped to make the purchase of vaccines of the RA Government is already being conducted in a considerably lower prices than it was before.

The Chamber doubts that the regular audit of each project had its positive effect. For example, as it is clearly visible in the below inserted figure, as a result of continuous control over procurement of vaccines for cattle, the Armenian Government is currently purchasing the vaccines at much reasonable prices than in the past. In 2008 and 2009 the price of the vaccine was 290.0 AMD, in 2010 it become 210.0 AMD. During the next year the procurement was conducted twice, in two different prices (from The Federal Centre for Animal Health (FGBI "ARRIAH")) and during the first experience the price was 212.5 AMD, then it became 221. AMD, in 2012 the state paid 208.0 AMD for the vaccine, while in 2013 198.0 AMD (CoC 2013, p.2).

| Year | Price per dose /AMD / | Supplier | Producer |
|-------------|------------------------------|---------------------|--|
| 2008 | 290.0 | "Bio Universal" LLC | The Federal Centre for Animal Health (FGBI "ARRIAH"). Russia |

| | | | |
|------|-------|---------------------------|--|
| 2009 | 290.0 | “Bio Universal” LLC | The Federal Centre for Animal Health (FGBI “ARRIAH”). Russia |
| 2010 | 234.0 | “Bio Universal” LLC | The Federal Centre for Animal Health (FGBI “ARRIAH”). Russia |
| 2011 | 212.5 | State Food Safety Service | The Federal Centre for Animal Health (FGBI “ARRIAH”). Russia |
| | 221.0 | | |
| 2012 | 208.0 | “Bio Universal” LLC | The Federal Centre for Animal Health (FGBI “ARRIAH”). Russia |
| 2013 | 198.0 | “Amasia” LLC | " The Federal Centre for Animal Health (FGBI “ARRIAH”). Russia |

Figure 3

The report of 2013 is also remarkable for underlining the importance of the cooperation between the RA Control Chamber and the RA Ministry of Finance around the public procurement system development as they jointly formed and introduced several amendments to the Government Decision No 441-N (April 18, 2013). More importantly, in the report is mentioned about the achieved “obvious progress in the reduction of corruption

risks in the procurement system” by the help of the continuous control of the Control Chamber (CoC 2013, p.3).

What the Chamber is concerned about lies on the ineffectiveness of the procurement cases, because during the 2013

- the legislative framework of public procurement was already close to the international standards that Armenia had adopted,
- the stakeholders conducted the transactions within legal frameworks,
- the procurement documentation procedures also were settled in appropriate manner.

This developments strengthened the transparency of the field, helped the corruption reduction process, while the procurement process, according to the Chamber, did not become as efficient as the expectations were as a result of several technical restrictions (CoC 2013, pp. 3-4).

IN-DEPTH INTERVIEWS

The above mentioned findings gave the historical background of the public procurement system development in Armenia, provided the picture of the gaps and shortcomings in the field underlined the benefits that the developments provided, showed the steps forward in the system regulation and management processes and etc, however, in-depth interviews were needed to have more complete and practical basis for the subject of

this capstone and to do better analyses of the combined data and answer the second and third research questions of the capstone.

For this purpose this capstone project conducted in-depth interviews among five experts. One of the chosen experts is one of the two specialists who created the Anti-corruption strategy and its implementation action plan of the Republic of Armenia. Two experts are chosen from the Transparency International organization in Armenia. The first one is the supervisor of this organization and the second expert is a researcher specifically specialized in the field of public procurement. The fourth expert is an international expert with approximately 14 years of experience in the public procurement system of Armenia. And the fifth expert of this research is a lawyer who is also the former Deputy Minister of the Ministry of Justice and a professor at American University of Armenia. So the expert interviews done in the framework of this capstone underlined several achievements and failures of the implementation of e-government on public procurement system of the Republic of Armenia.

All the five experts described tangible the role of e-government in the development of the public procurement system of the Republic of Armenia. It brought transparency to the system which is an important development in the field according to the experts.

Besides, three of five experts mentioned that as a result of the reforms done in 2011, Armenia has become one of the most developed states in the world with its developed e-procurement system. The procurement process has been simplified and become achievable to the public.

All the experts underlined the importance of the creation and the launching the www.e-gov.am web-site because it has made the RA a step closer to the international standards

(meaning the WTO standards of conducting public procurement) and was beneficial for reducing the corruption and saving the state budget.

The creation one-stop principle in the system was highly appreciated by all experts because e-government reduced the face-to-face or people-to-people contact among the public, state officials and procurers.

The two experts of five also mentioned that before the reforms the competitiveness was not formed in the state, while after the reforms a lot of business started to be involved in procurement processes and the environment has changed.

Moreover, two experts believe that compared to the previous years, the procurement prices are continuously becoming lower from the average market prices than it was before the implementation of the e-procurement system in Armenia.

According to the expert interview results, even though the application of e-government to the RA public procurement brought some achievements to the system, however there are some gaps that the reforms were not able to fill in.

Of the 5 experts interviewed, 4 strongly believe that still the procurement prices are higher than the average of the market prices for specific goods or services. They underline that there is a change of percentage, but the difference is little.

Moreover, one of our experts from Transparency International argues that, in spite of the inputted efforts, the public procurement system of Armenia still has a lot of gaps. One of those gaps is considered to be the procurement from a single source. Even though it is not characterized illegal if there are appropriate and reasonable reasons for buying from

exactly that one source, however the number of these cases has higher proportion than the internationally adopted norms let.

The state budget still remains sensitive from the public procurement perspective. Some experts claimed that in some cases the data about several contracts is missing and, instead of the original copies, only the draft versions of the contracts are available.

Moreover, two experts claimed that one of the negative effects of applying e-government to the public procurement system is the inappropriateness to show several specific documents to the public. This viewpoint basically concerns to the procurement cases connected to the expenses of the entertainment of official delegations in the Republic of Armenia. These experts argue that it is not appropriate to show the guests how much money has been spent on their visit and needs in the host country and it is necessary to keep this kind of information confidential.

CHAPTER V: DATA ANALYSES

COMBINED INTERPRETATION OF DATA ANALYSIS

The aim of **the first research question of this capstone** (*RQ.1: Which are the measures taken to develop the Public Procurement System? What is the role of E-government in it?*) is to find out the main assessments and the main methods in order to develop the public procurement system and the role of e-government in that development. As a result of content analyses, this research study discovers several measures taken to develop the Public Procurement System.

As the above presented data of this capstone showed, there are different measures to do improvements in public procurement system. One of the main measures is considered to be the effective processing of the legislation in public procurement field. In order to do this the states make adequate Law/s on procurement (OECD 2007). The legislative framework restrains the procurers to use the office for personal interests and benefits and helps to combat corruption in the country because the officials start to fill responsibility towards legislation. Moreover the collected data proved that in 2009 the legislative field was the most developed one in the sector. In 2010 a new Law was created in Armenia on procurement which is also considered to be an important measure.

The collected data of this capstone prove that the republic of Armenia also has chosen this track of development of the procurement sector. The Anti-corruption strategy of Armenia also assessed the role of electronic procurement as a tool to increase the effective purchasing mechanisms, the management in public procurement field, the transparency in the sphere, equal competition and right management of budget spending. However another problem that the strategy witnesses as a challenge to the public procurement system is the absence of professional specialists in the bidding process.

The next step is the control of the state over the officials to keep the legislature because without control they will easily violate the laws and take bribes. The majority of the states control the public procurement system by creating a separate state body. This measure is beneficial because this is another way of suppressing the violations of law and controlling the state procurement officials' behavior in a deep manner. As a result of the examinations of this Capstone project in the Republic of Armenia also is witnessed this case. The Procurement Appeals body is considered to be the example. The creation of this

body helped to make the public procurement system better and confidently functioning. The control also helps to eliminate the corrupt or dishonest suppliers from public procurement processes.

Another very important measure of development the public procurement system is the application of e-government on it. The main and very important aim of this measure is the insurance of transparency from the perspective of reducing corruption. From this framework the Republic of Armenia has done a lot of steps to make the procurement system transparent, because besides the reduction of corruption, the transparency also makes the system effective and competitive. In order to do this the government of Armenia has participated in many discussions with international specialists, won a grant from the World Bank in 2003 and started to follow the CPAR action plan in 2004. During this early period of the development of the public procurement system the Ministry of Finances played an important role in applying different decrees, European Union directives and public procurement guidelines of World Bank on the system. So the Ministry took the general role of taking measures to develop the public procurement system.

The **second part of the first research question**, which is - *what is the role of E-government in developing the Public Procurement System?* - aims to find out the ways that e-government helped in development the procurement field in Armenia. The electronic government system has been set up in Armenia in 2006. As we underlined the importance and necessity of the transparency insurance in the last paragraph, e-government came to insure that transparency in public procurement sphere.

The collected of this research study claims, that e-government helps to the data gathering process among various institutions of the state (United Nations 2014). In public

procurement field e-government helps to save time, money and many other resources. Moreover it assists to make policies, eliminates the corruption as a result of increasing the level of accountability and transparency (Randolph 2005). E-procurement also helps to increase the economic opportunities of the state (Podlogar 2007). More importantly, e-government plays a role of establishing a control over the state institutions' actions in procurement system (Randolph 2005).

The application of e-government played a huge role in developing the public procurement system of the Republic of Armenia as a result of several measures taken by the state. Electronic government brought the www.procurement.am website to arena by this developing the electronic purchasing system, informing the procurers about the purchasing chances and about the tenders. As a result of e-government, 35 agencies got the opportunity to have an access on a portal of combined documents and materials in a centralized mode. The government got the opportunity to efficiently manage and control the flow of these documents.

The expert interviews done in the framework of this capstone showed that the role of electronic government is high in the taken measures to develop the Public Procurement System. The factor of transparency played an underlined role in the formation of the positive perception of the reforms done in the field. As a result of it the public got the opportunity to get all types of information connected to the procurement cases through the internet. The experts also mentioned that the Republic of Armenia is considered to be one of the most developed states from the perspective of e-procurement system because the process of conducting procurement is simplified in Armenia in a high level and all types of

documents connected to the procurement or bidding process is centralized in a one web-page and the procurement process is visible from all dimensions.

The second research question of this capstone project (*What were the government failures during the implementation of e-government in Public procurement system?*) is aimed to discover the deficiency that the procurement system faced after the implementation of e-government on it.

In order to answer this research question a data was combined on the historical background of the development of the public procurement sector and also several documents have been analyzed, such as the annual reports of the Control Chamber, the Anti-Corruption strategy of Armenia and etc. The collected data showed that the first actively motivated period of the Government to do several developments in Public Procurement sector of the Republic of Armenia has been in 2005. During this period the state won a Grant from the World Bank. As a result of this, Armenia organized several discussions with US specialists in the framework of procurement system development and application of e-government on it.

However, the combined data proves, the government failed to achieve successes in this period because the quality of the internet was in a low level. The internet is the basic fundament to apply e-government in any sector because the electronic communication is possible via internet connection, and if the latter is in a low quality, the system will not have the ability to operate. So without a good quality internet in the state structures and without a considerably high percentage of equal distribution of the internet over the state the government was not able to apply e-government on public procurement system. What is

more problematic, the Anti-corruption Strategy of Armenia, which was created in 2009, also attached the issue of internet quality and its absence in rural communities. This means that during four years this issue was not addressed and this point highly interrupted the operation of e-government in procurement system.

As it is shown in the data of “Country Procurement Assessment Report” of the World Bank, there are 4 pillars that show the level of the development of the state in public procurement system. The Republic of Armenia is mostly close to the World Bank standards by legislative pillar. This doubts that the legislation framework started to develop in Armenia since 2009, while other 3 pillars were in a low level. So the institutional and managerial capacity of Armenia, the transparency of the procurement system, the purchasing process and market performance still had a strong need of development. This issue is problematic because in order to achieve a development (application of e-government) government failed to underline the need to make an equal progress in all segments of procurement and equally develop the 4 pillars. Only after three years, in 2012, the state bodies started to accomplish procurement procedure in electronic way.

The findings of this capstone project show that in 2011 the failures of the government were in signing various anti-competitive agreements, conducting procurements by mediators. As a result of these two points the state lost a huge proportion of money. Besides, the existence of mediators in procurement processes doubt about the shortage of professionals in the field. Moreover, the data shows that in 2011 the procurements were conducted in higher prices than the average market prices. There were several cases of drafting the data inaccurately. Besides the in some cases the purchased goods had low quality. The example is procurement for asphaltting the roads of Hovtashat community and

the low quality of asphalt, for which the state had paid. Besides, in 2011 the government had failed in auditing and controlling the state budget as appropriate because the data of this capstone showed several cases of double financing the same project (the example of the Ministry of Education financing the same researches and other projects). These points were challenging from corruption perspective because all of them occurred as a result of gaps in controlling procedures, which does not reject the possibility of corruption existence.

This research study found three types of failures of the government in implementing the e-government on public procurement system in 2012. The first failure is the payment of higher amounts of money for procuring serviced, works and goods than the real cost was and higher amounts than it was planned to pay beforehand. The second failure is the weakness of the government to achieve the expected results for any good or service appropriate to the spent money and, consequently, getting a service or a good in a low quality. The third failure is connected to the grants that the state used while again did not get expected results. Comparing the failures of the Republic of Armenia in 2012 to the failures during the previous year, in general the result is the same. In all above mentioned years it is witnessed a lack of detailed control in the procurement sector and lack of transparent manners in many procurement cases.

What concerns to the above mentioned failures during 2011 and 2012, it is important to point out that these were the first years that the RA Law on Public procurement has been enforced and that Armenia had become the Istanbul Action plan state. More importantly, since 2012 Armenia started to do procurements only by e-procurement system and the data

combined for after 2012 period shows, that the only failures of the government in conducting e-procurement were connected to several minor technical issues (such as the existence of the procurement documents only in Armenian language and etc). The combined data proved that e-procurement system is already developed in Armenia which guarantees the transparency, control and easy management of the sector.

The findings of this capstone combined during the in-depth interviews, showed that even though the system has become transparent, however the government still has several failures.

All 5 experts mentioned that the procurement prices still remain higher than the average prices. The experts consider this point as a failure because higher prices mean either the absence of motivation to find cheaper sources for conducting procurement or it doubts about the informal agreements between the procurement sides. From the corruption reduction perspectives also this point is vulnerable.

According to three of 5 experts of this research study, one of the gaps that the reforms have is connected to the procurement from a single source. If there are appropriate and reasonable reasons for making procurement from a single source, it is still legal. The experts mention that procurement from one source is not acceptable in the existing quantity of single source procurement in Armenia. This issue is challenging for the equal conditions of competition and this will lead to the procurement of high prices.

Two experts mentioned that another failure of the government is connected to the missing data from web portals. In some cases even the draft versions of the contracts are available. Our examinations had also witnessed in www.e-gov.am website several omissions in the database. No case of draft submission has been witnessed by this capstone.

From the first sight the omissions were in a small proportion, however, as it was already mentioned in the shortcomings of this capstone, additional time is needed to do a complete research and to find the exact proportion of the missing data.

What concerns to the experts' opinion of the necessity to have some information in a confidential basis, this research project underlines that any change toward keeping the information secretly will become a one step backwards in the e-procurement system development path. The transparency has been the main key factor that assisted the system to be reformed, and the violation of transparency will disrupt the basis of the new developed face of the public procurement system and break several mechanisms constructed for reducing corruption in the field.

The third research question of this study (*After 5 years, what are the results of applying e-government to the public procurement system of Armenia?*) is aimed to find out the main results that the e-government brought applied to the public procurement system. As the purpose of this thesis is to accept or reject whether the corruption level has been decreased in Armenia after the application of E-government to the Public Procurement system or not, we will start our analyses by bringing the Freedom House's perception of corruption in Armenia.

According to the 2014 scores of Freedom House, Armenia scores 5.25 in Corruption level. According to the Freedom House grading methodology 1 is equal to the best score and 7 is the worst. The Figure 4 shows the scores of corruption level in Armenia from 2005 to 2014. It is visible that in 2005, 2006, 2007 and 2008 the Republic of Armenia was

scored 5.75, in 2009, 2010 and 2011 the score was improved to 5.50 and in 2012, 2013 and 2014 the score become 5.25 (Freedom House 2014).

| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|------|------|------|------|------|------|------|------|------|------|
| 5.75 | 5.75 | 5.75 | 5.75 | 5.50 | 5.50 | 5.50 | 5.25 | 5.25 | 5.25 |

Figure 4

This means that, according to the data of Freedom House, after the reforms in public procurement system and the application of e-government to the procurement system, since 2012 the corruption level is decreased in Armenia. Even though the Freedom House data concerns not only to the public procurement system but also to the other sectors, however we should witness the progress and, by analyzing our collected data, try to find out whether e-procurement played a role or not in this progress.

According to the content analyses of this research, the reforms in the public procurement sector were beneficial in reducing corruption for several reasons. Firstly, the reforms and the application of e-government changed the structure of Public Procurement system to a decentralized one having around 3000 contracting elements. This is because the Ministry of Finance has lost its higher authority in this field, and a new Procurement Support centre has been established, which was a non-commercial state organization. This institution started to provide its services to the bodies of contract and to the businesses via organizing trainings and consultations, developing the electronic procurement system, acting as a secretariat body in the Board on Procurement Compliant Review and etc. What concerns to the Procurement Compliant Review Board (PCRB), it is a body of appeals (out

of the Ministry of Finance) which checks and analyses the appeals connected to the bidding process (OECD 2013).

In RA's e-government system the creation of the e-gov.am web-page was another step forward. This web-page, combining the entire amount of tools and databases of the electronic governance, is a comfortable platform for the state agencies of Armenia to conduct procurement in a flexible environment. The point of transparency is strictly taken into account here and, in order to insure this particle, the citizens got the opportunity to follow the procurement procedures and to express their opinions and concerns to the Government connected to any procurement element.

Besides, it is important to mention that the track of the letters also is visible since that period and a citizen can see in which procedure is staying his/her letter, who is the official to whom the letter has been assigned to find a solution and answer. Moreover, the citizens got an access to

- the documents of procurement signed by the government officials,
- the approved decrees by the Prime Minister, and even
- the draft decrees constructed to discuss during the upcoming sessions of the Government.

Time management and saving are other vital components of developments because the citizens got an opportunity to submit their applications in an online way (e.g. apply online for getting a license). Besides, the www.e-register.am web-site helps the citizens to register their business by practicing the “one stop” principle and saving their time as a result of the online regime.

Furthermore, the web-site www.datalex.am provides an access to the judicial information. Using this portal, the citizens can find the judicial cases, look for the Laws of the Republic of Armenia, follow the agenda of the court hearings, to pay online and to file a case, send the required documents to the court and follow the further judicial processes. The web-site www.azdarar.am is a platform for sharing the public announcements which is permitted by the RA law on public and private notifications through the internet (OECD 2012).

In the field of electronic government the citizens' access to the single source procurement cases is considered to be another achievement. The public procurement from a single source has always been one of the most vulnerable issues from the framework of corruption. In this section of www.e-gov.am the governance is shown in a public and transparent platform, it makes visible the state agencies doing a one-source procurement, the contract and the origins of procurement cases are evident (OECD 2012).

All 5 experts underlined the importance of the creation and launching the www.e-gov.am web-site because it has made the RA a step closer to the international standards (meaning the WTO standards of conducting public procurement) and was beneficial for reducing the corruption and saving the state budget.

Three experts out of 5 mentioned that from the corruption perspectives the most vulnerable segment of public procurement has always been the procurement from a single source, because this action leads to non-equal competitive conditions for the sources of procurement, and the state conducted an ineffective purchasing by buying expensive goods and services than the market prices. The step forward of the RA Government from this point of view is the creation of a section in the www.e-gov.am on a procurement from a

single source, by this providing the public not only the cases but also all the legal documents and the basic reasons of conducting the procurement from the single source. The expert interview results also showed that during the electronic development of the procurement system the one-stop principle was highly underlined because it reduced the face-to-face or people-to-people contact, by this reducing the probability of taking bribes or other type of corruption experiences.

Moreover, the reforms provided the opportunity to many businesses to be easily involved in the procurement process and by the development of one sector the state achieved benefits in other spheres as well. What is disappointing, the benefits are not still in high proportions and some of the experts expressed their concerns connected to this issue.

Two experts out of five underlined that the point that the procurement prices are continuously becoming lower from the average market prices is considered to be another achievement of the government as it means the state money is continuously being saved. Besides one of the experts mentioned that before 2011 the purchased goods were expensive by 20-30% from market prices, while currently "...the percentage is not possible to keep so high because the process is open to the public and the percentage can be expensive in the average of 0-10%". Currently, the purchasing state bodies are highly limited in their actions because they have to act transparently. The Chart 1 presented below gives the percentage in a more visual basis. This point helps to conclude that after the implementation of e-procurement system in Armenia the results have been positive as a lot of money has been saved from the state budget because of transparent procurement process and these progresses are able to reduce the corruption level in the state.

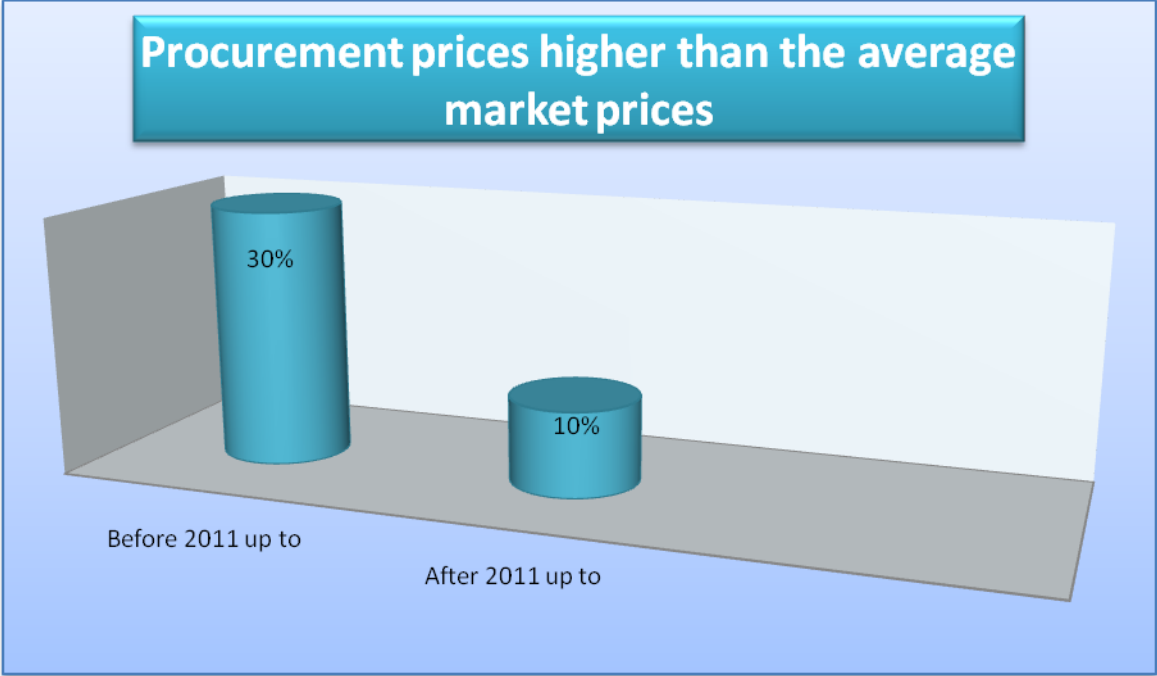


Chart 1

CHAPTER VI: CONCLUSION

According to public perception, there is a high level of corruption in the Republic of Armenia. This capstone examined the role of e-government in a fight against corruption in the public procurement system of the Republic of Armenia. The application of e-government to any system raises the transparency of that system, approaches the state to the international standards, decreases the level of corruption in the state as a result of high accountability, makes the management of the state simpler and saves huge amounts of money from the state budget. In order to achieve success in combating corruption and come closer to the international standards, Armenia cooperates with international organizations such as the Organization for Economic Co-Operation and Development, World Trade Organization, World Bank and etc. to find optimal ways of appropriately developing the e-government in the state.

In order to test whether the corruption level has been decreased in Armenia after the application of E-government to the Public Procurement system or not this capstone answered three research questions. The data analyses illustrated the main measures which are taken to develop the Public Procurement System and, particularly, showed the role of E-government in that development. The main measures include the creation of effective rules on public procurement, the insurance of control over the officials connected to public procurement activities, the creation of a dispassionate state body to regulate the activities connected to the public procurement experiences, the cooperation with international

organizations, the discussions and the exchange of knowledge on this issue with international experts and etc.

Connected to the role of e-government in developing the Public Procurement system, the data analyses proved that the application of e-government on procurement system helps to establish a better control of authorities over the procurement procedures, improves the data gathering procedures among state institutions and form citizens. Moreover, E-government plays a role in saving money, time, and other resources. It assists the process of policy-making, reduces corruption from procurement sector, increases the accountability, improves the quality of public services, develops the management capacities of public finances, brings the states benefits from different economic and political perspectives and etc.

The data analyses examined the main failures of the RA government failures during the implementation of e-government in Public procurement system and came to a conclusion that there have been several failures occurred. Firstly, at the government began the e-government application on the Public Procurement system without insuring the high quality and the equal distribution of the internet connection in the state. Besides, the government started its actions in this sphere by developing the legislative framework of the system paying unequal attention to other sectors. Moreover, the government failed in controlling the quality of the preparation of procurement data, the level of the competitiveness of the agreements. Mediators were involved in procurement procedures, the prices of goods and services were higher than the average prices in the market and etc.

The data analyses of this capstone showed the main results that e-government brought applied to the public procurement system of Armenia after 5 years of conducting reforms.

According to the data of Freedom House the corruption level has decreased in Armenia since 2012. The data analyses of this capstone showed that there is a link between this progress and the conducted reforms in procurement sector since 2011.

The first reason of coming to this conclusion is the fact that the electronic government changed the structure of public procurement system. Besides, e-government formed a comfortable platform for state agencies to conduct procurements in a flexible and, most importantly, transparent manner. As a result of the insured transparency, citizens easily follow the procurement procedures online, express opinions connected to any procurement procedure of document and raise their concerns by sending letters to the government. Moreover, they have a chance to follow the track of their letter and see who and when responds to it. Even the draft decrees are available in the web-pages which are prepared to be discussed during the upcoming sessions of the governments.

Besides, as a result of e-government, the face to face contact is maximum minimized which, in its turn, decreases the communication among people and the probability of taking bribes. The one-stop principle saves both the time of the procurement agents and the money of the state. The process has been simplified and it is already easy to check the availability of goods and to return the goods.

The quantitative and qualitative data analyses assisted to conclude that the Hypothesis₁: ***The corruption level has been decreased in Armenia by the application of E-government to the Public Procurement system*** is accepted.

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