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AN INSIDE ON THE RUSSIAN PURCHASING SYSTEM AND ITS
DIGITALIZATION

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Abstract

Digital transformation and the introduction of digital technologies in the procurement process in the Russian Federation makes it possible to expand the geography of procurement, attracts more participants, ensures high competition between participants, and also makes it possible to make procurement more transparent and open. Digitalization refers more to the concept of economic activity, however, it is widely used in all areas of activity, including in the field of procurement. In modern times, digitalization is no longer seen as the future, but, on the contrary, as present in the procurement system. Currently, the procurement system is difficult to imagine without the automation of certain processes. Thanks to digitalization in the Russian procurement system, many positive results have been achieved. In this article, the author analyzed the current state of the procurement system, considers the introduction of digital technologies, as well as the planned changes in this area. When conducting this analysis, the author made conclusions about the consequences of digitalization of the procurement system in the Russian Federation. Also, ways of solving problematic issues arising in this area were proposed. In addition, the author highlighted certain problems that exist in procurement, as the so-called «gray» schemes and insight in procurement, as well as ways to overcome these problems that arise in the procurement process.

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1. Introduction

It is no secret that digital economy is no longer referred to as the future in our country, but the present state of the 21st century. It also reflects on all relations in our country. The procurement system in this case is no exception. Russian procurement system cannot be imagined without automation, computerization, greater flexibility, mobility, data transmission through the Internet and other communication technologies. The process of introducing digital technology into procurement is quite resultative. Thus, digitalization of procurement makes it possible to expand the geographic boundaries of procurement, to attract more participants. This, in turn, ensures competition between the participants, and also allows for transparency and openness of the procurement process.

2. Problem Statement

At present, the procurement system, despite all the existing difficulties and contradictions, is rapidly developing and transforming. In this article, we will talk about the digitalization of the Russian procurement system in the form it currently exists, as well as the prospects for the development of the procurement system in our country. It is necessary to analyze the state of the procurement system, to account the introduction of digital technologies. It is also necessary to analyze digital technologies that are already used in the procurement process, as well as those that have been introduced recently. In addition, in our opinion, it is necessary to pay special attention to the insight in the procurement system, as well as to the so-called «gray» schemes in procurement. Also, it is necessary to talk about problematic issues that exist in the procurement system. In addition, while highlighting the problems, it is necessary to pay attention to their solution.

3. Research Questions

When conducting research on this topic, the author revealed the following questions.

1. What is digitalization;
2. How digitalization affects the procurement system in the Russian Federation;
3. What changes have occurred in the procurement system of the Russian Federation in the process of introducing digital technologies;
4. What is «insight» and insider information;
5. What are the illegal procurement schemes;
6. How to deal with insider information and illegal purchases.

4. Purpose of the Study

The aim of the study is to address issues related to the process of introducing digital technologies into the procurement system of the Russian Federation. For this it is necessary to define the concept of digitalization. In addition, it is necessary to analyze the current state of the procurement system and draw conclusions on how digitalization has affected the procurement system. It is also important to characterize recent changes in the procurement system. In addition, as a goal in this study, the author attempts to

determine the insider in procurement. An important goal is to analyze illegal procurement schemes. The final goal of this study is to conclude that it is necessary to consider all the positive and negative aspects when introducing digital technologies.

5. Research Methods

In carrying out this study, the author used the following methods.

1. Method of analysis. Analysis refers to general logical methods. In a general sense, analysis is the study of an object by its components. The article analyzes the changes in the procurement system when introducing digital technologies into the process.

2. Generalization. This method was used in the process of summarizing the analysis. The author summarized the information received and came to conclusions in the specified work.

6. Findings

In its most general form, digitalization is a process through which digital technologies are introduced into all spheres of life. In a global sense, digitalization is a concept of economic activity that is based on digital technologies that are being introduced into various areas related to both life and production. If we talk about digitalization in the Russian procurement system, we can say that the goal of digitalization in this case is to increase the transparency of procurement, expand access to procurement for a larger number of participants, as well as stimulate competition among persons who are potential suppliers (performers, contractors) (Shmeleva, 2020). In accordance with the Federal Law of 05.04.2013 № 44-FZ «On the contract system in the field of procurement of goods, works, services to meet state and municipal needs» (Federal Law of 05.04.2013 № 44-FZ) (hereinafter referred to as the Law on the contract system), the procurement system can be presented as a set of persons who participate in the procurement, as well as a set of actions that are aimed at ensuring the legitimate interests of the state and the municipality. After the Law on the contract system came into force, our country switched to the contract system in the field of public procurement. This meant that absolutely all purchases should be placed in the Unified Information System in the field of procurement (hereinafter - the UIS). So, the first stage of digitalization can be called the transition to the placement of purchases in the UIS. In a global sense, the UIS is an information space, access to which makes it possible to freely and free of charge get acquainted with complete and reliable information about procurement. In order to get acquainted with ongoing or completed purchases, to view concluded contracts, you do not need to have a login and password, this can be done without them. However, in order to perform certain actions, for example, participate in a procurement, post information about the current procurement, carry out control activities, you must have a login and password, in other words, an account in the UIS (Styrin & Rodionova, 2020).

The account will function only if there is an electronic digital signature. Consequently, an electronic digital signature is an important step in the digitalization of procurement in our country. An electronic digital signature makes it possible to confirm the authorship of an electronic document, since it has a connection with both the author and the document. Such a signature is based on a cryptographic method, which does not allow the signature to be forged by ordinary copying. In addition, this way confirms the very fact that this document was signed. The presence of an electronic digital signature gives certain

possibilities. So, for example, the contract is signed using an electronic digital signature, the placement of control documents by the control body is also signed with an electronic digital signature, customers place the procurement documentation by signing it with an electronic digital signature, etc. In addition, the ability to sign a document using an electronic signature greatly facilitates the procurement process, and also makes it more efficient. Electronic trading in Russia is carried out using electronic trading platforms. Bidding on electronic trading platforms makes it possible to reduce purchase prices, save budget money, shorten procurement terms, and, in principle, simplify the entire procedure. Using electronic trading platforms, each procurement participant has equal conditions, and the mechanism of the procurement process itself becomes more transparent, which reduces risks for those who participate in the bidding procedure. In addition, trading on electronic platforms makes it possible to participate from anywhere in Russia, for this it is enough to have access to the Internet along with an electronic digital signature.

In Russia there are 9 electronic trading platforms for procurement for state and municipal needs, for procurement of companies with state participation the list is not fixed, now there are about 200 of them. For procurement of commercial companies, procurement in electronic form is a voluntary decision, many companies minimize costs this way. To conduct auctions for the sale of property of enterprises that have been declared bankrupt by the state several sites are accredited where, in fact, such auctions are held. A significant change in the process of digitalization of the procurement system was the creation and implementation of a catalog of goods, works and services (Decree of the Government of the Russian Federation of 08.02.2017 № 145).

The specified catalog includes 25 categories (for example, medical products, petroleum products, paper and stationery, etc.), and also contains a separate section «Other» (for example, coal, fodder, etc.), which includes items, which are not in the 25 categories. Each catalog item includes certain information: catalog item code; name of goods, works, services; unit of measurement of the product; reference information; date of inclusion of the item in the catalog; start date of mandatory application of the catalog item; date of the end of application of the catalog item (if necessary); additional information. The catalog item code is generated for each catalog item and is a code that is unique and is based on the all-Russian product classifier. Customers are required to use the specified information included in the catalog item. If Customers include additional information, additional characteristics in the description of the procurement object, then the justification for the need to use such information must be included in the description of the procurement object. Failure to include this information in the description of the procurement object is a violation, in addition, not including the justification for the use of additional information in the description of the procurement object is also a violation. Currently, attempts are being made to carry out the integration of catalog and with such information systems as a Registry of companies, EAT, FTS and electronic trading platforms. This integration will allow to consolidate not only the object of procurement, units, and description, but also the initial (maximum) price at purchase in the catalog.

An important innovation in the process of digitalization of procurement is the process of introducing a unique system «Independent Registry». When developing this system, the main task was to transfer the contract system to electronic procedures, which, in turn, assumed the protection of all participants from unauthorized disconnection from trading. It is no secret that with the advent of electronic technologies, additional threats arise, as well as illegal ways to influence the conduct of electronic procedures. To deal

with such issues the specified system was created. Its function is very simple: when you visit the main page of the UIS, the «Independent Registry» opens, the installation file is downloaded and the specified system is installed on the computer. After that, the system starts recording the computer screen. Recording is carried out only by URLs, which contain the addresses of only electronic sites. If you accidentally leave or go to another site, the recording will automatically stop. All actions on the electronic site are recorded on video, however, this is not a standard screen recording. The system captures not only the movement of the cursor, but also every click during operation, in addition, it automatically checks the correctness of the computer, the stability of the Internet connection, as well as the accessibility of the electronic platform, the system checks the correctness of the desktop setting, the time and date on the computer. The regulator clearly sees if the procurement participant was blocked, or how they were somehow infringed on their ability to work at the auction. In addition, this plugin will also record: accreditation on the electronic platform; sending requests for clarification of documentation; provision of information about such clarifications, notifications, notifications of procurement; providing information on the bank guarantee to secure the application; sending information by an electronic platform to the bank to block / stop blocking money, not securing the application; placement on the site of the protocols that were drawn up during the purchase; signing of draft contracts on the site, making changes to the documentation, etc.

FAS Russia given an explanation about the advisability of using the «Independent Registrar», since the failure to use this system actually deprives the procurement participants of the opportunity to protect their rights. That is, the specified system is a procurement participant's tool provided to obtain reliable evidence of his innocence (Letter of the FAS Russia of 25.02.2019). The Federal Treasury has been designated as the operator of the independent registrar. It is important to note the fact that this system is innovative and progressive and, indeed, helps the procurement participant, in cases of infringement of his rights, to prove the violation and provide the specified evidence. Certain changes related to the digitalization of the procurement system in our country have occurred during work in a pandemic. Let's dwell on them in more detail. Thanks to the already existing functionality of the site, for example, on the site of Sberbank AST, a secure service «online reissue of electronic digital signature» (Sberbank-AST, 2020) was very quickly launched, which turned out to be in great demand in a pandemic in order not to personally contact the certification center.

In addition, it became possible for members of the commissions to consider applications and vote for their admission or non-admission remotely, with the ability to sign the protocol with an electronic signature. This is especially important in a pandemic situation, when a fairly large number of employees were transferred to work remotely. In this case, paper protocols are not drawn up and the electronic form of the protocol can be signed with at least one qualified electronic signature of a person who has the right to act on behalf of the customer. Also, digitalization has affected the so-called «small purchases». The Government of the Russian Federation made a decision to transfer small purchases to electronic form in order to make them more transparent. For this purpose, the Unified Trade Aggregator Beryozka was created. On 03.01.2019 all kinds of purchases of goods and services can be made using the UTA «Beryozka». It was previously only possible to buy stationary products for federal authorities and subordinate federal state-owned institutions (Order of 28.04.2018 № 824-r).

At the same time, UTA allows to make purchases not only within the framework of the Federal Law on the contract system, but also within the framework of the Federal Law of 18.07.2011 № 223-FZ «On procurement of goods, works and services of certain kinds of legal entities» (hereinafter - The Law on the Procurement of goods, works, services) (Federal Law of 18.07.2011 № 223-FZ). UTA has a preinstalled integration with the UIS and therefore the site receives all information about customers on the Law of the contract system, as well as the Law on the Procurement of goods, works and services. The service stores information about the contact person which carries out purchases and his powers within the UIS. Information comes from the registers: the catalog of goods, works and services, as well as from the catalog of medicines. All of the above indicates that procurement procedures are more electronic. There is a constant development in procurement, however, they can still be called quite complex, and this, in turn, refers to obstacles in its correct use.

The priority now are issues related to the modernization of business processes and economic efficiency. The state is implementing a systematic approach to solving issues of procurement efficiency. A possible positive effect could be the introduction of a blockchain tool into procurement procedures. Blockchain is an innovative data storage and transmission technology that has recently become widely used in the world. The specified tool can provide a high degree of information security. The main purpose of use is to reduce the corruption component, as well as increase the efficiency of procurement. As a minus, experts point out the possible high cost of the specified tool. In addition, there are certain restrictions on the use of this tool. The first is the fact that this technology will require the need to integrate the information systems of banks, customers, suppliers, executive authorities, since the parties do not want to bear the costs for the process of implementing such a task, if they are in a crisis situation.

The second limitation is the need to reserve funds. In a situation with state and municipal purchases, it will be difficult to resolve this issue, since budget money will need to be reserved for the execution of each contract. In addition, the application of this technology will undoubtedly entail the need to develop appropriate legal norms. The current legislation does not regulate the issue of using the blockchain in procurement, however, in our opinion, this issue needs to be worked out, assessing all possible risks. Thanks to the blockchain technology in the contractual system, it is possible to globally redesign the entire system and bring it to the next level, which has not yet been achieved in our country. Thus, in our opinion, the digitalization of procurement and the development of this area will make it possible to significantly automate the procurement process and manage them, reduce the corruption component of the contract system, and also optimize the time for those operations that are carried out, while observing the norms of legislation (Issabayeva et al., 2019).

When carrying out activities by any organization there is information the disclosure of which can have a significant impact on the work of the organization. Usually, only some of the company's employees have access to such data, and they can be called insiders in the event that they transfer such information to third parties. Inside information is defined as information that is not subject to public disclosure and may also affect the company's operations. The insider is always in an advantageous position in relation to other participants, since, having information, he can make certain predictions about the development of a particular case. In addition, insiders have the opportunity to manipulate processes, as well as earn income by selling the specified information. Insight when conducting procurement leads to the fact that so-called

«gray» schemes can be implemented when conducting procurement. The key goal of any scheme is to ensure the victory of a particular participant. As a result, one side will have a lucrative contract, while the other will have «its own» supplier or contractor, who, in turn, will «thank» with money, property, loyalty or something else.

All schemes can be divided into categories:

- cartels - agreements between competing entities;

- collusion or prohibited agreements. These can be coordinated collusions between authorities, between authorities and business, between a procurement participant and a customer, between a procurement participant and a tender organizer;

- individual schemes that are used by customers and suppliers in specific purchases or as tools for the implementation of cartel agreements and collusion.

In procurement, the customer can set the contract price at his own discretion, overstate it greatly, and the so-called «friendly» participant, having information, offers a relatively real price, which contributes to the fact that he wins. Also, an option may be that the customer splits the product into several lots, but a certain person wins in each purchase, who was notified of such a procurement process. Another option would be to conduct two absolutely identical purchases. The first purchase is won by a «friendly» company, however, after some time, by agreement with the customer, the contract is terminated by agreement of the parties. The customer again conducts the same purchase, notifying the previous contractor. The previous contractor again participates in the procurement, however, preliminarily, he agrees with potential participants that they will not participate, or will participate, but not actively. Thus, the same performer wins the purchase, only the price is overstated by the amount of remuneration to the participants in the collusion. The legislation establishes bans on the dissemination of insider information and market manipulation when conducting transactions with financial instruments (Federal Law of 27.07.2010 № 224-FZ).

7. Conclusion

The public procurement system is rapidly developing and improving, therefore, it undoubtedly requires more flexibility from the procurement system itself. Of course, digitalization of procurement is a difficult stage in the development of procurement activities. A developed procurement system is a guarantor of the success of the digitalization process of the contract system as a whole. The process of digital transformation and the introduction of digital technologies into the procurement system makes it possible to implement procurement processes, making it more open and transparent, increasing the efficiency of the entire procurement process to implement what customers need and minimize risks in the preparation and placement of procurement procedures. The innovations in the legislation are intended to make the procurement process simpler and faster and, in addition, to achieve a more transparent process. At the same time, it is necessary to remember and avoid possible violations of the law, as well as «gray» schemes in procurement and collusion with participants or authorities. For this, in our opinion, it is necessary to strengthen control over purchases and over the identification of such purchases. In addition, it is important to analyze the existing positive and negative aspects in order to continue to improve the already implemented systems for the digitalization of procurement in the future. This analysis is also necessary for the further development of the process of digitalization of the procurement system.

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