

## **Abstract**

Governments use the system of public procurement to acquire high quality up-to-date production for the lowest prices. The importance of the system can be expressed both in numbers (10.7% of Latvian GDP) and economic terms (providing significant profit opportunities for the most competitive suppliers). Although public procurement is created for efficiency and perfect competition, corruption easily spoils them by inducing higher prices and lower quality of products, which are acquired from less competitive suppliers. This research combines the opinions of involved parties, international policy recommendations, and cost-benefit analysis to evaluate the efficiency of the public procurement market in Latvia and to determine the mechanisms for limiting the motivation and opportunities for corruption. To start with, price thresholds, procurement methods and regulations should be established following a thorough analysis of the existing system gaps. Secondly, system transparency should be increased by establishing centralized announcement publication for small procurement, mandatory tender documentation publication and an eprocurement system. Thirdly, the public sector should share its human and information resources. And finally, the authority and obligations for the Procurement Monitoring Bureau should be increased to include ex-ante monitoring of large procurement, the authority to fine offenders of the law, and responsibility to control small tenders. Although changing government practices requires financial and human resource investments, the aggregate benefits of a well functioning public procurement market considerably exceed the costs.