



Article

# Prospects For Improving The Public Procurement Sector

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**Abstract:** Further development of the competitive environment by increasing the number of participants in public procurement practices and minimizing the human factor in it, along with enhancing the effectiveness of tenders and competitions and the efficiency of allocated funds, is an important factor in providing the country's population with essential goods (works, services) in a timely manner. This article provides a scientifically-grounded analysis of the prospects for improving the public procurement system. The current state of the public procurement sector, its existing problems and shortcomings are revealed with specific examples. The author has conducted a detailed study of corruption risks arising in the organization and management of procurement processes, factors reducing the effectiveness of procurement, and has also demonstrated their economic consequences. Additionally, the possibilities of increasing efficiency and transparency in the implementation of public procurement through digitalization and the introduction of electronic systems are described. The study extensively utilizes international experience, analyzing reforms in the field of public procurement in advanced foreign countries, and based on the conclusions drawn, develops practical recommendations tailored to national conditions. The authors substantiate the need to improve the legislative framework, strengthen transparency mechanisms, and increase the accountability of organizations and individuals involved in the public procurement process to enhance the effectiveness of the public procurement system. The article presents specific proposals for indicators necessary for assessing the economic efficiency of the public procurement system and their monitoring. Furthermore, it examines the possibilities of reducing costs by accelerating the digitalization of public procurement, improving the quality of management decision-making, and ensuring transparency in procurement processes. This article is intended for researchers in the fields of public administration, economics, finance, and auditing, specialists in government bodies, practitioners, and officials who formulate and implement public procurement policies. The scientific conclusions and practical recommendations presented in it will contribute to organizing a more effective and transparent public procurement system.

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**Keywords:** Public procurement, public administration, improvement of the procurement system, anti-corruption efforts, digitalization of procurement, transparency, economic efficiency, electronic procurement system, monitoring of public procurement, procurement optimization, reforms.

## 1. Introduction

In modern conditions, public procurement, as an important component of economic policy, serves as a tool for ensuring a country's macroeconomic stability and regulating the economy. The public procurement mechanism provides opportunities to achieve economic efficiency, save budget funds, foster a competitive environment, and ensure openness and transparency in economic activity. Therefore, improving the sphere of public procurement is considered one of the priorities of economic development [1].

Today, in global practice, positive results are being achieved in combating corruption through the introduction of digitalization and electronic management systems in public procurement. According to analyses by international economic organizations, the effective use of electronic procurement systems not only reduces costs, but also increases the efficient use of public funds and significantly impacts economic indicators [2].

Despite some positive results achieved through reforms implemented in recent years to develop and improve the public procurement system in the Republic of Uzbekistan, existing problems in the system such as corruption risks, bureaucracy, and complexity of processes are reducing the effectiveness of public procurement. In particular, recent studies have noted that economic resources are being wasted due to insufficient transparency and openness in public procurement [3].

Furthermore, best practices from developed countries demonstrate that digitalization and automation of the public procurement system can not only accelerate processes but also significantly reduce the risk of corruption. In this regard, the experiences of South Korea, Singapore, and European Union countries are particularly noteworthy, where significant economic efficiency has been achieved through the digitalization of public procurement [4].

Based on the aforementioned issues, the main goal of this article is to analyze the current state of the public procurement system, identify opportunities to increase its effectiveness, and develop practical recommendations aimed at further improving the system based on international best practices.

At the core of the extensive reforms being implemented today lies "ensuring a free and prosperous life for our people, creating all opportunities for every citizen to develop their potential, raising the growing generation to be healthy, knowledgeable, and spiritually mature," and transforming the country into a state with a strong economy. This goal is achieved by fostering an intolerant attitude towards corruption in society and guaranteeing security and stability [5], [6].

In ensuring the safety and stability of the country's population, it is crucial to improve the methods of conducting public procurement of dual-use goods (works, services) and increase the efficiency of their utilization.

#### Literature Review

Numerous studies have been conducted to address problems arising in the implementation of public procurement and to ensure transparency in this field. Notably, in the research carried out by J.T. Umarov, it is proposed that higher educational institutions train specialists in public procurement at the bachelor's degree level, with curricula coordinated with the Ministry of Economy and Finance [7]. It is also suggested that retraining and professional development of specialists working in public procurement be conducted by the private sector, and that a certification system be introduced for specialists operating in this field [8].

The research conducted by T.B. Gofurov notes that the lack of transparency in tender processes for procuring goods (works, services) leads to a high risk of corruption, resulting in decreased efficiency of budget funds. It is highlighted that the introduction of electronic procurement has been an important factor in increasing transparency in the field of public procurement [9], [10].

In the research conducted by Sh.M. Baymuradov, a series of measures are proposed aimed at implementing public procurement through electronic trading, increasing the involvement of business entities to strengthen the competitive environment in providing goods (works and services) to society, as well as improving the efficiency of the sector.

## 2. Materials and Methods

Public procurement is the process of meeting state customers' needs for goods (works, services) on a paid basis, and this process is regulated by the Law of the Republic of Uzbekistan "On Public Procurement" No. 3PY-684 dated April 22, 2021.

This Law defines the general rules for carrying out public procurement, methods of state regulation, subjects of public procurement, general requirements for the public procurement process, procedures for conducting public procurement through an

electronic store, auction procedures for reducing the starting price, tender procedures and requirements, processes for two-stage public procurement, public procurement carried out under direct contracts, and other procedures and rules. It stipulates that procurement outside of direct contracts is conducted electronically, and information about directly concluded contracts is posted on a special information portal.

To ensure implementation of the Law and introduce competitive methods of public procurement into practice, the Cabinet of Ministers adopted Resolution No. 276 on May 20, 2022, which approved the Regulation on Organizing and Conducting Public Procurement Procedures. The Regulation establishes procedures and rules for conducting public procurement electronically and carrying out public procurement under direct contracts, designating the Ministry of Economy and Finance as the authorized body.

Based on the aforementioned Law and Cabinet resolution, a system has been created that enables corruption-free and effective implementation of public procurement.

The article is based on the fundamental methodology of scientific knowledge in improving budget fund efficiency by expanding the competitive environment in public procurement, using methods of induction and deduction, dialectical unity, interdependence of theory and practice, comparison and analogy. The study employs a systematic approach to conduct economic-statistical and structural-dynamic analysis.

### 3. Results and Discussion

According to the Law of the Republic of Uzbekistan "On Public Procurement," criteria for the volume of public procurement have been established. When carrying out public procurement through an electronic store, the following limits apply for a single contract, see Table 1.

purchase of goods - up to twenty-five thousand times the basic calculation amount (BCA), for budgetary customers - up to two thousand five hundred times the BCA,

procurement of works and services - up to one hundred times the BCA, for budgetary customers - up to fifty times the BCA,

purchase of the same type of goods within one financial year - by a budgetary customer through an electronic store up to ten thousand times the BCA,

public procurement of the same type of works or services within one financial year - up to five hundred times the BCA for budgetary customers, and up to one thousand times the BCA for corporate customers [11], [12].

The criteria for carrying out procurements through the selection of the best offers are established when the following conditions are simultaneously met:

**Table 1.** Criteria established for the volumes of state procurement implementation (in terms of the basic calculation unit)

Types of Purchases	Government procurement client	Through an online store		Selecting the best offers	Tender
		According to a contract	During the financial year	According to a contract	According to a contract
Purchase of goods	For corporate clients	Up to 25,000	Up to 25,000	Up to 25,000	More than 25,000
	for budget clients	Up to 2,500	10,000	Up to 6,000	More than 6,000
Ишларнинг, хизматларнинг хариди	For corporate clients	Up to 100	Up to 1000		
	for budget clients	Up to 50	Up to 500		

the criteria for determining the winner include not only the monetary value, but also the quantitative and qualitative assessment of the state procurement of goods (works, services),

when the cost of goods (works, services) under one contract amounts to up to twenty-five thousand times the basic calculation value, and for budget customers - up to six thousand times the basic calculation value.

If decrees and resolutions grant state customers the right to carry out procurements without holding a tender, the procurement procedure is carried out by selection, regardless of the amount of the state procurement [13].

The criteria for conducting procurement through tender are implemented when the following conditions are simultaneously met:

The criteria for determining the winner should include both the monetary valuation and the quantitative and qualitative assessment of the goods (work, service),

The cost of goods (works, services) under one contract exceeds twenty-five thousand times the basic calculation amount, or for budget customers, more than six thousand times the basic calculation amount [14].

According to the practice of carrying out procurements through tenders and selection of the best proposals, it is envisaged that when the state customer places an announcement about the tender or selection in the electronic system through the special public procurement information portal, tender participants must submit mandatory documents to participate in the tender. Some participants are eliminated at the first stage of the ongoing tender or competition due to their inability to submit certain required documents. Business entities wishing to participate in procurement through tenders and selection are required to submit the following documents to the working group for tender or selection procurement, or enter them into the electronic portal for the working group's consideration:

1. Certificate of State Registration of the organization (Local and foreign participants).
2. Certificate from the tax inspectorate confirming the absence of overdue tax and fee arrears (Local participants).
3. For local participants - the company's latest annual balance sheet; for foreign participants - information from their servicing bank on the organization's financial condition.
4. Application for participation in the tender and selection addressed to the chairman of the procurement commission (Local and foreign participants).
5. Guarantee letter from the participant regarding the absence of reorganization, liquidation, or bankruptcy proceedings, and non-involvement in judicial or arbitration relations with the customer (Local and foreign participants).
6. Declaration on prevention of corruption (Local and foreign participants).
7. Documents confirming product quality:

For local participants:

- a. sanitary and epidemiological conclusion issued by the authorized body;
- b. veterinary certificate issued by the authorized body;
- c. certificate of conformity issued by the authorized body.

For foreign participants:

- a. manufacturer's quality certificate;
- b. documents confirming product quality [15].
8. Evidence of experience in supplying similar products for both local and foreign participants, confirmed with copies of previously concluded contracts.
9. Information on the availability of finished products or goods necessary for production for both local and foreign participants, or a formal contract with the manufacturer.

Due to the inability of tender or selection participants to adequately submit required documents or comply with established formatting rules, most participants are eliminated in the first stage of tenders, losing the right to participate in the second stage. This results

in fewer second-stage participants or tenders being declared invalid due to insufficient quorum. It also reduces competitiveness, ultimately leading to public procurements at higher prices or lower efficiency of allocated funds. Additionally, tender cancellations due to insufficient quorum cause delays or non-execution of necessary public procurements. Particularly, failure to execute state procurements for dual-use goods (works, services) hinders measures to prevent emergencies, stabilize domestic market fluctuations and prices, help the population overcome difficult situations without losses, and address other circumstances.

Including sanitary-epidemiological conclusions, veterinary certificates, and conformity certificates issued by the Uzbekistan Agency for Technical Regulation for manufacturers in the list of required tender documents creates artificial barriers for non-manufacturing or importing enterprises to participate in tenders.

For example, in a tender for supplying groats to state reserves, six out of eight business entities that applied failed to submit product quality certification documents. This was due to the entities not being product manufacturers, see Table 2.

Consequently, the tender was conducted based on prices provided by two enterprises that advanced to the second stage. As a result, "NOBEL TRADE" LLC was declared the winner with a price of 4,830 soums/kg, while "CHEMPION GREEN LANDS" LLC was named the reserve winner with a price of 4,920 soums/kg.

**Table 2.** Results of the first stage of the tender for supplying cereal products for state needs

No.	List of Documents	"NOBEL TRADE" LLC	"Khurram Savdo Fayz" LLC	KURBANOV GROUP LLC	"ENERGO TECHNO IMPORT" LLC	"CHAMPION GREEN LANDS" LLC	"KINDER GARDE N GROUP" LLC	"AGRO ORGANIC FOOD" LLC
		whether it has been submitted or not						
1	Certificate of State Registration of the Organization	submitted	submitted	has not submitted	submitted	submitted	submitted	submitted
2	Certificate from the State Tax Inspectorate confirming the absence of overdue tax and fee payments	submitted	submitted	submitted	submitted	submitted	submitted	has not submitted
3	Information on the absence of bankruptcy procedures instituted against oneself	submitted	submitted	submitted	submitted	submitted	submitted	submitted
4	The company's most recent annual balance sheet	submitted	submitted	submitted	submitted	submitted	submitted	submitted
5	Application addressed to the chairman of the procurement commission for participation in the tender and selection process	submitted	submitted	submitted	submitted	submitted	submitted	submitted
6	Letter of guarantee from the participant regarding the absence of reorganization, liquidation, or bankruptcy proceedings, and the absence of judicial or	submitted	submitted	submitted	submitted	submitted	submitted	submitted

	arbitration relations with the customer							
7	Declaration on preventing forms of corruption	submitted	submitted	submitted	submitted	submitted	submitted	submitted
8	Documents confirming product quality: sanitary-epidemiological conclusion issued by the authorized body, veterinary certificate, and certificate of conformity	submitted	has not submitted	has not submitted	has not submitted	submitted	has not submitted	has not submitted
9	Experience in supplying analogous products	submitted	submitted	submitted	submitted	submitted	submitted	submitted
10	Information about the availability of manufactured finished products or goods necessary for production, or a formalized contract with the manufacturer	submitted	submitted	submitted	submitted	submitted	submitted	submitted
11	Commercial proposal for selection (must include the name of the product offered, quantity, price, and delivery timeframes).	submitted	submitted	submitted	submitted	submitted	submitted	submitted

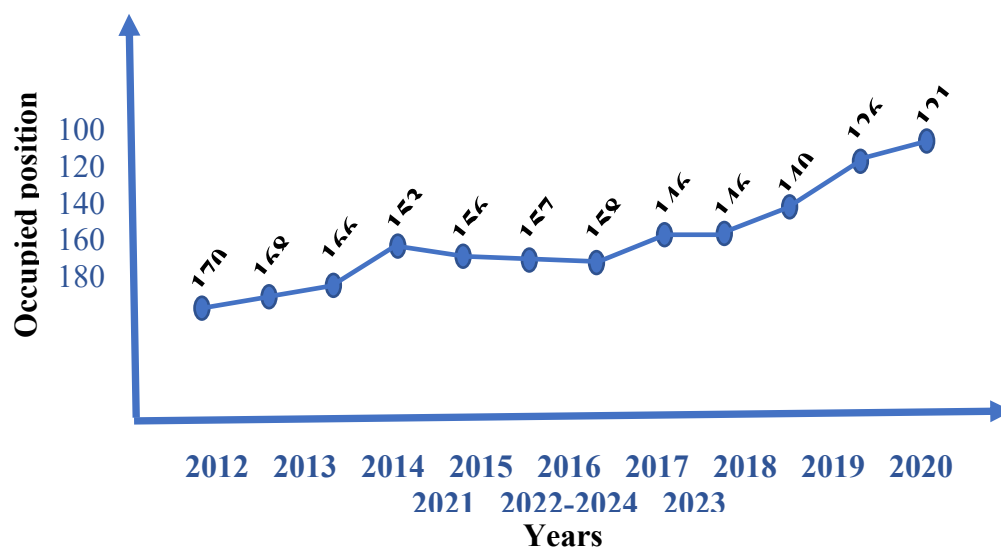
Source: Prepared by the author based on the documents from the competition conducted for state needs.

To ensure fair implementation of this practice, replacing documents that confirm the quality of goods (works, services) in tenders and competitions, such as sanitary-epidemiological conclusions, veterinary certificates, and conformity certificates, with a guarantee to provide these documents during the delivery period of the goods (works, services), as well as ensuring strict adherence to the guarantee provided by the tender and competition winner during the delivery period, will serve to increase the effectiveness of the conducted tenders and competitions.

Furthermore, the Law defines directions for carrying out public procurement through direct contracts, which include: procurement from a single supplier listed in the unified supplier register; based on relevant decrees and resolutions; for eliminating emergencies; appointing a lawyer (representative) to participate in court proceedings; public procurement of goods (works, services) with state-regulated prices (tariffs); preventing or eliminating consequences of natural phenomena, epidemics and disease outbreaks in emergencies; promptly addressing consequences of natural disasters and man-made catastrophes; additional works and services not exceeding 10 percent of the total initial contract amount; and public procurement of certain food products and other goods (works, services) according to the list.

The 89th goal of the "Uzbekistan - 2030" Strategy, approved by the Decree of the President of the Republic of Uzbekistan dated September 11, 2023 No. UP-158 "On the 'Uzbekistan - 2030' Strategy," aims to achieve an increase of at least 50 positions in the Corruption Perception Index published by Transparency International, to reduce violations of public procurement legislation requirements by 2-fold, to fully implement public control to prevent embezzlement of funds in public procurement through direct contracts and prevent prices of goods and services from exceeding market values, and to ensure that 100 percent of regulatory legal acts are developed based on the principle of "corruption-free legislation."

As a result of the ongoing large-scale reforms, Uzbekistan has risen 49 positions from 170th place in 2012 to 121st place in 2022, 2023, and 2024 in the Corruption Perception Index published by Transparency International, see Figure 1.



**Figure 1.** Ranking in the Corruption Perception Index published by the international organization Transparency International

After the adoption of the Law of the Republic of Uzbekistan No. 3PY-684 "On Public Procurement" dated April 22, 2021, the Decree of the President of the Republic of Uzbekistan No. ПП-4484 "On Measures to Increase the Efficiency of Commodity Exchanges and Further Improve the Mechanisms of Exchange Trade" dated October 8, 2019, and other decisions, it can be observed that our country's position in the Corruption Perception Index, published by the international organization "Transparency International," has significantly improved.

Based on the adopted laws and decrees, the implementation of public procurement electronically through the relevant trading platforms of the Uzbek Republican Commodity Exchange, as well as the launch of additional platforms at the Uzbek Republican Commodity Exchange, such as the electronic logistics portal, the electronic trading platform for state reserves, and online auctions for vanity numbers and mobile numbers, has reduced the human factor in public procurement.

However, developing a mechanism for electronic implementation of public procurement for appointing a lawyer (representative) to participate in court proceedings, which are carried out on the basis of direct contracts, will further reduce the human factor in this sphere.

#### 4. Conclusion

Based on the above, a comprehensive review by state procurement customers of the documents mandated for participation in tenders and bidding processes, the implementation of electronic procurement practices for non-strategic goods (works, services) without human intervention, and the introduction of a mechanism for conducting dual-purpose state procurement through direct contracts by selecting the best offers will increase the efficiency of state procurement and allocated funds. This will ensure that the sector remains free from corruption, further improve the timely provision of essential goods (works, services) to the country's population, and lead to a higher ranking in the Corruption Perception Index published by the international organization Transparency International. эришилади.

Based on the results of the conducted research, the prospects and opportunities for improving the public procurement system were comprehensively analyzed. The public procurement system plays a central role in ensuring the efficiency of the country's

economy, and its rational organization is crucial for the effective use of budget funds, achieving economic efficiency, and reducing corruption risks. Currently, the system faces problems such as corruption, lack of transparency, and incomplete implementation of electronic platforms, which significantly reduce the effectiveness of public procurement. Drawing on international best practices, the study substantiated the need for digitalization, widespread introduction of electronic procurement systems, strengthening the legislative framework, improving the qualifications of specialists in public procurement, and enhancing public oversight as effective ways to address existing shortcomings in the field of public procurement. Specifically, it was indicated that effective management of the system could be achieved by creating a single centralized electronic platform for public procurement, establishing a mechanism for real-time monitoring of procurement processes, as well as strengthening anti-corruption mechanisms in public procurement legislation, reinforcing accountability systems, and ensuring broad coverage of these processes in the media.

It was also noted that further improvement in the quality and effectiveness of procurement processes could be achieved by enhancing the qualifications of specialists working in public procurement to meet international standards, organizing regular seminars and training sessions for them, and strengthening accountability mechanisms. Additionally, it was recommended to increase public participation in monitoring public procurement and ensuring its transparency, and to create mechanisms for the open consideration of complaints and proposals.

Overall, the implementation of the aforementioned practical recommendations and scientific proposals into the public procurement system will create a solid foundation for ensuring the rational use of economic resources, reducing corruption risks, and promoting sustainable economic development. The results of this study will be valuable for government bodies, economic policy makers, and the scientific and practical community, serving as a practical guide in the formulation and implementation of future public procurement policies.

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