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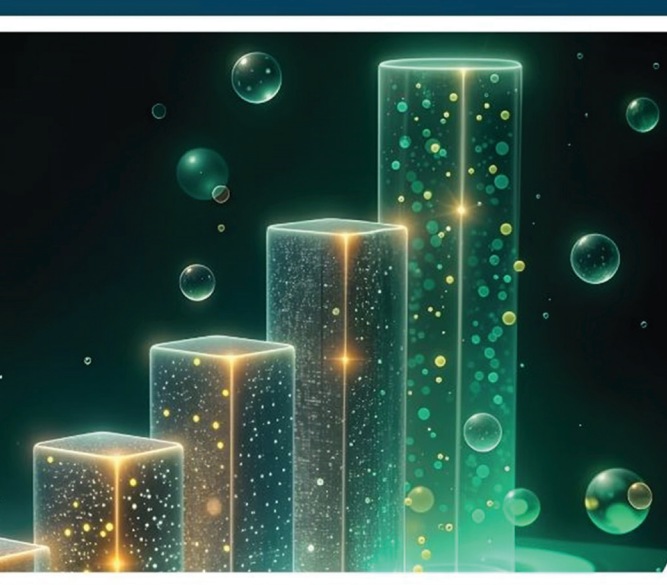
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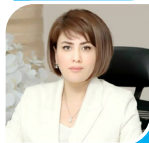
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PROBLEMS AND SOLUTIONS IN PUBLIC PROCUREMENT

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Abstract: This article studies and analyzes the public procurement processes carried out by budgetary organizations, including the attraction and expenditure of funds, the activities of public procurement control bodies, the electronic organization of procurement, as well as the volume, structure, and financial results of public procurement. Based on the information studied, relevant conclusions and proposals have been developed.

Key words: public procurement, budget customer, competition, law, direct contract, supplier, monopoly goods, price, contract.

INTRODUCTION

Assessing the efficiency of the public procurement system requires a thorough analysis of the volume, structure, and financial results of procurements carried out by budgetary and corporate customers. In Uzbekistan, the public procurement system is characterized by the participation not only of budgetary organizations but also of business entities with state ownership. This makes it necessary to study public procurement as a financial mechanism based on a comprehensive approach.

Public procurements carried out by budgetary customers are financed from republican and local budget funds. These procurements are mainly directed toward the financial support of social sectors, including education, healthcare, social protection, public administration, and infrastructure projects.

The analysis shows that the total volume of public procurements carried out by budgetary customers has a growing trend from year to year. This can be explained by the expansion of public expenditures and the increasing scope of social obligations. At the same time, goods account for a relatively high share in the structure of procurements, while services and works make up a smaller proportion. This indicates the need to develop the services market in order to improve the efficiency of public procurement.

One of the important features of procurements carried out by budgetary customers is that procurement processes are conducted through electronic platforms. The electronic public procurement system makes it possible to strengthen control over the use of budget funds, increase the transparency of procurement procedures, and expand the competitive environment.

LITERATURE REVIEW

According to Nizomjon Majidov, public procurement should be considered an important instrument of economic development. He explains that public procurement can strengthen competition, which in turn contributes to improving product quality. In particular, he emphasizes the importance of supporting small businesses and industry through procurement mechanisms. In this regard, Majidov evaluates public procurement not only as a purchasing mechanism, but also as an effective instrument of economic stimulation.

Ravshan Saydaqulov, on the other hand, highlights several important aspects of creating a competitive environment in public procurement, including digitalization (e-procurement), increasing transparency, the use of blockchain technologies, and strengthening public oversight. He also identifies a number of challenges, such as limited procurement openness, the participation of affiliated companies, and the недостаток of open data. His approach is considered modern, as it is based on the idea of reforming public procurement through digital transformation.

Z.Z. Samadova scientifically analyzes several important issues in public procurement, including insufficient transparency, corruption risks, and shortcomings in supporting local producers. Based on these challenges, she proposes several solutions, such as expanding electronic platforms, strengthening anti-corruption control mechanisms, and introducing a "green procurement" system. These approaches are aimed at transforming public procurement into a sustainable and environmentally oriented system.

At the same time, foreign scholars such as P. Scherrer and J. Kettunen promote a performance-based procurement approach. According to their view, procurement processes should be evaluated not only on the basis of price, but also according to results and efficiency, which can bring competition to a qualitatively new level.

D. J. Veit and S. M. Wagner emphasize the importance of systematic monitoring, indicator-based analysis, and the application of performance indicators in assessing the efficiency of public procurement. Their approach views competition as a system that can be measured and effectively managed.

In addition, G. A. Hodge and C. Greve argue that evaluation systems, accountability, and the quality of public administration play a decisive role in the development of competition within public procurement.

Summarizing the views of the above-mentioned scholars, it can be concluded that transparency is the main factor in developing competition. Nearly all researchers agree that without open data and transparency, genuine competition cannot be fully achieved.

Although the issue of developing competition in public procurement has been studied by many scholars from different perspectives, their common conclusion is that a transparent, digitalized, and well-monitored system forms the foundation of effective competition.

RESEARCH METHODOLOGY

In studying regulatory and legal documents related to public procurement, as well as in analyzing the existing issues in this field and possible ways to address them, the research applied such scientific methods as observation, data collection, generalization, and comparison.

ANALYSIS AND RESULTS

Based on the analysis conducted during the research, before addressing the identified issues and possible ways to resolve them, it is important to consider the current situation in the field of public procurement.

In 2025, public procurements amounting to UZS 108.7 trillion were carried out by budgetary customers, while corporate customers conducted public procurements totaling UZS 199.1 trillion.

Audit activities conducted on the basis of risk analysis revealed that public procurements worth a total of UZS 12.6 trillion were carried out without full compliance with legislative requirements. In particular:

- contracts worth UZS 2.7 trillion were concluded with enterprises that had tax arrears and unfulfilled obligations under court decisions, without proper compliance with legal requirements;
- in procurements worth UZS 2.6 trillion, public customers concluded contracts directly without sufficient justification;
- contracts worth UZS 1.2 trillion were concluded in situations involving conflicts of interest and through tenders in which affiliated persons participated;
- contracts worth UZS 948.3 billion were divided into separate parts in order to avoid tender procedures, while contracts worth UZS 300.7 billion were concluded without undergoing the comprehensive expert examination required by legislation;
- procurement procedures worth UZS 2.7 trillion were conducted without full compliance with legislative requirements;
- other technical and procedural shortcomings were identified in the conclusion of contracts worth UZS 2.1 trillion (Figure 1).

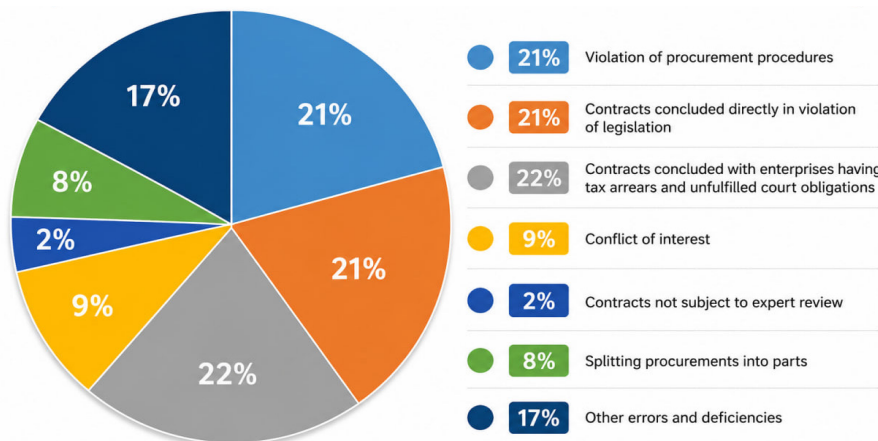


Figure 1. Violations Identified in Public Procurement Processes in 2025¹

¹ author's development

The efficiency of public procurement is determined by its economic, financial, and social outcomes. Improving efficiency requires not only the proper use of budget funds, but also the development of a competitive environment, enhancement of quality standards, and reduction of corruption-related risks.

When established legal regulations operate effectively, they undoubtedly serve as a foundation for sustainable development. In particular, Clause 190 of Appendix 5 to Presidential Decree No. PF-22² of the Republic of Uzbekistan, dated February 2, 2026, sets out specific tasks aimed at ensuring a competitive environment in goods and financial markets, as well as in public procurement. The timely and proper implementation of such sector-specific legal provisions contributes positively to the effectiveness of the public procurement system.

During the course of our research, we studied the current laws and subordinate legal acts regulating the field of public procurement. As a result of the analysis, several issues and shortcomings related to ensuring openness, transparency, fairness, and the participation of business entities in public procurement processes were identified.

First, according to the Law of the Republic of Uzbekistan "On Public Procurement," the evaluation of participants is mainly carried out on the basis of price and technical criteria within the current tender process. Although the legislation provides for a "Register of Unfair Performers," this mechanism is primarily applied as a punitive measure against non-fulfillment of contractual obligations or other negative conduct.

However, the legislation does not provide a systematic rating-based evaluation of participants' previous performance in public procurement, nor does it consider such performance as a criterion in future tenders. As a result, in practice, entrepreneurs who have fulfilled contracts with high quality and those who have performed inadequately often remain in almost equal legal standing in subsequent procurement procedures. This situation limits opportunities to encourage efficient and responsible contractors and to create a healthy competitive environment in public procurement.

According to analytical data, inspections carried out in 2025 revealed that public procurements worth UZS 12.6 trillion were conducted without full compliance with legislative requirements. Of this amount, contracts worth UZS 2.7 trillion were concluded with enterprises that had tax arrears and unfulfilled obligations under court decisions. In addition, 2,962 contracts worth UZS 53.1 billion were concluded with suppliers that did not possess licenses for the sale of pharmaceuticals. Furthermore, 7,400 contracts for pharmaceutical procurement worth UZS 34.7 billion were concluded with unlicensed suppliers, while 1,100 contracts worth UZS 116.7 billion were signed for other goods lacking conformity certificates.

Second, according to the relevant provisions of the Law "On Public Procurement," in order to assess the compliance of procurement prices with market prices, the public customer is required to use information from open information sources or other reliable sources, and to study the price of the procurement object before each procurement procedure. However, in practice, these requirements for conducting a thorough price analysis and establishing objective procurement prices are not always fully observed. This may lead to the formation of non-objective initial prices, unreasonable deviations from market prices, inefficient use of budget funds, and the emergence of corruption-related risks in procurement processes.

According to the analysis, in 2025, 54 public customers purchased highly liquid and non-monopolistic goods through a separate special trading platform of the Uzbekistan Commodity Exchange in violation of legal requirements, concluding 412 contracts worth UZS 62.9 billion. In this process, seven customers purchased products worth UZS 19.1 billion at prices exceeding reasonable market levels by UZS 1.6 billion. In addition, through the same special trading platform, 153 public customers concluded 3,028 contracts worth UZS 318.2 billion for the procurement of highly liquid and non-monopolistic goods.

Third, in practice, certain participants in public procurement processes submit economically unjustifiably low price offers in order to win tenders. As a result, economically unreasonable proposals are recognized as winners solely on the basis of the lowest-price criterion.

Such situations may create various challenges during the contract implementation stage. In particular, the participant recognized as the winner may later attempt to increase prices through additional agreements, which may ultimately result in delays in project completion or failure to meet required quality standards. Consequently, this can lead to inefficient spending of budget funds, distortion of the competitive environment, and limitations on the participation opportunities of honest and responsible entrepreneurs.

Fourth, within the public procurement sector, there are certain goods, works, and services for which specific business entities are designated as sole suppliers (monopolistic or priority suppliers). In such cases, the competitive environment may become limited, the number of alternative offers in the market may decrease, and unjustified advantages in price formation may arise. In particular, the systematic use of sole suppliers in procurement processes may negatively affect the full functioning of market mechanisms.

2 <https://www.lex.uz/uz/docs/-8050787>

CONCLUSION AND RECOMMENDATIONS

As in any system or field of activity, the issues existing in public procurement are interconnected. Based on the problems identified above, several recommendations and possible solutions can be proposed.

First, it would be appropriate to supplement the evaluation criteria and procedures предусмотренные by the Law “On Public Procurement” not only with price and technical indicators, but also with factors reflecting the participant’s reliability in public procurement. Such indicators may include the quality of performance under previous contracts, compliance with deadlines, and the level of contractual discipline.

In the practice of developed countries, such mechanisms are widely applied. For example, in Singapore, the GeBIZ electronic platform evaluates contractors based on the quality and discipline of contract performance. In South Korea, the KONEPS system takes into account contractors’ work history and efficiency through a rating mechanism. In the United States, within the framework of the Federal Acquisition Regulation, the CPARS system evaluates the performance of procurement participants under each contract, and these assessments are considered in subsequent procurement procedures.

Second, it would be advisable to introduce into Article 33 of the Law “On Public Procurement” a legal provision requiring public customers to use an electronic module based on artificial intelligence technologies for assessing procurement value, as well as a requirement to determine the average market price of the procurement object for each procurement procedure.

The practical implementation of this norm would contribute to establishing procurement prices in accordance with market conditions, preventing unreasonable overpricing or underpricing of initial contract values, ensuring efficient use of budget funds, and reducing corruption-related risks.

In developed countries, digital analysis tools and electronic platforms are widely used in assessing procurement value. For example, in South Korea, the KONEPS system, and in Singapore, the GeBIZ platform, maintain and analyze procurement data in digital form.

Third, it would be appropriate to include artificially reduced prices among the grounds for excluding participants from procurement procedures under Article 42 of the Law “On Public Procurement.” In addition, if the participant’s proposed price is significantly lower than the average market price or the estimate of the public customer, the law should require the procurement commission to request a justified explanation regarding the formation of the proposed price.

The implementation of these provisions in practice would help prevent the subsequent increase of contract values through additional agreements, reduce the risk of declining work quality, and ensure a healthy competitive environment in public procurement.

In European Union countries, if a participant’s bid is considered abnormally low, the public customer requires a justified explanation regarding the price formation. In the legislation of France and Spain, such proposals may be rejected if they are considered economically unjustified. These mechanisms help limit artificial dumping practices and promote fair competition in public procurement.

Fourth, although Article 30 of the Law “On Competition” defines the general powers of the authorized state body, it does not specifically provide clear and separate authority for systematically monitoring and evaluating the impact of entities designated as sole suppliers in the field of public procurement. Therefore, it would be advisable to introduce greater legal clarity in this direction and strengthen the monitoring functions of the authorized body aimed at ensuring a competitive environment in public procurement.

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