

**ORGANIZING AND DEVELOPING PUBLIC PROCUREMENT IN
THE REPUBLIC OF UZBEKISTAN**

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Abstract: *This article explores ways to enhance the efficiency of public procurement in Uzbekistan and its role in improving the effectiveness of public budget expenditures and financial management.*

Keywords: *e-procurement, green procurement, ESG, OECD.*

Today, like in many countries around the world, special attention is being paid to the reform of the public procurement system in the Republic of Uzbekistan. In order to ensure transparency, openness, and efficiency in procurement processes, the government has implemented a number of practical measures, such as the use of electronic trading platforms and the wider involvement of business entities to enhance competition. Consequently, developing modern procedures and mechanisms within the procurement system has become a critical necessity. The improvement of public procurement is directly linked to creating a robust legal framework and developing it in line with international practices.

Ensuring the effectiveness of public procurement in Uzbekistan is of significant importance. In the context of economic modernization, the volume of government purchases has increased, which in turn heightens the responsibility for the efficient use of budgetary funds and financial resources of state-owned enterprises and institutions. In almost every country, public procurement accounts for a large share of government budget expenditures, thereby highlighting the necessity of developing a sound procurement management system. From this perspective, improving the management of public procurement is essential to ensure the efficient use of budgetary resources, increase transparency in order placement, foster fair competition, and prevent corruption.



The **2024 State Program** aims to elevate the state policy on implementing “green” public procurement for environmental sustainability to a new level. It also provides for the creation of a legal framework that prioritizes green procurement practices. Achieving these goals depends significantly on the integration of environmental, social, and governance (ESG) standards into public procurement.

The role of procurement in public financial management has evolved, becoming central to resource efficiency, increasing value for money, and promoting accountability. Overall, the reforms target increased efficiency of procurement systems and procedures, transparency in award processes, and greater competitiveness and cost-effectiveness through digital procurement. Additionally, procurement has started to play a strategic role in shaping policies aimed at enhancing the well-being of citizens, including economic, social, and environmental objectives.

Impact of Procurement on Public Financial Management

Public procurement is embedded in public financial management and therefore affects a broader set of processes, systems, and institutions. While these may vary depending on a country's institutional structures and economic context, procurement generally influences how public administration manages its resources. In this context, procurement is described as the set of rules, processes, and information systems that support planning, selection, and contract management.

Improving procurement systems can address several issues:

- Facilitate expenditure planning aligned with budget forecasts;
- Ensure reliable and efficient flow of resources and transactions;
- Generate critical data to improve accountability and support sound financial decision-making.

Procurement systems enable agencies to acquire goods and services in a timely and cost-effective manner. Through electronic catalogs—online repositories of verified suppliers and price comparisons—agencies can purchase goods and services that best match their needs in terms of price and quality. Furthermore, ensuring timely contract payments helps reduce penalties and debts associated with late payments, while the planned delivery of goods and services improves the quality

of public service delivery. These processes must be integrated with treasury cash management systems via unified procurement and payment platforms.

The integration of public procurement systems with various information systems is critical to improving transparency and outcomes. This integration contributes to enhancing the overall effectiveness of procurement. Below are examples of how OECD countries integrate their procurement systems with other data sources.

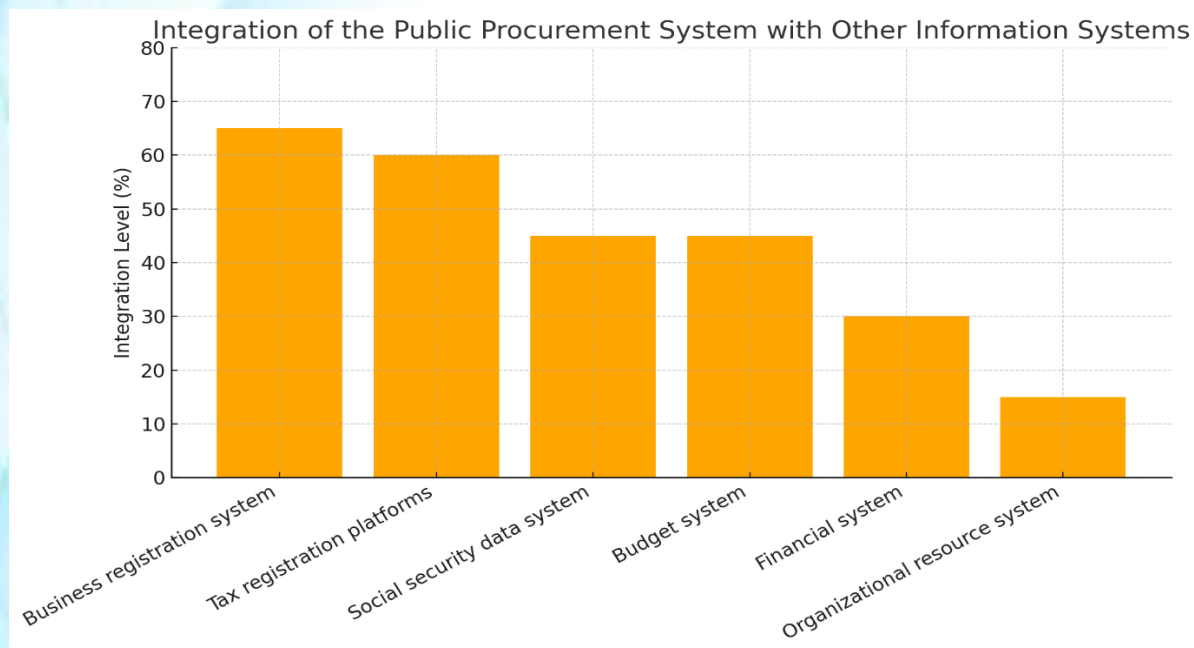


Figure 1. The most common central government information systems integrated with procurement systems in OECD countries¹

Over the past twenty years, public procurement has developed significantly. Traditional and legally regulated procurement processes were primarily based on procedures that governed the selection of goods and services through various purchasing categories, while also aiming to minimize abuse and conflicts of interest through open bidding processes. The majority of procured goods and services consisted of basic administrative supplies and relatively simple services.

However, in the past two decades, public procurement has undergone substantial transformation. Information and communication technology (ICT) has

¹ <https://www.elibrary.imf.org>



played a major role in developing sophisticated procurement tools and systems. Efforts toward economic integration and trade liberalization have aligned systems on a global scale. Moreover, the establishment of the Agreement on Government Procurement (GPA) and the drafting of the Model Law on the Procurement of Goods and Services have promoted global standards and best practices in procurement.

The rapid expansion of the internet and the reduction in the cost of systems and databases—alongside ICT development—have driven governments to modernize their operations. From a procurement perspective, ICT was initially developed to facilitate online dissemination of information. It enabled procuring entities to publish their procurement plans to the public, thereby increasing business opportunities. Today, ICT tools are tailored to the needs of procuring entities and help governments strike a balance between scalability and flexibility in designing procurement systems—something unimaginable decades ago. These tools include transaction portals that support reverse electronic auctions and electronic catalogs, as well as online procurement plans and supplier registries. The efficiency and transparency enabled by these tools have enhanced competition through open tenders. Additionally, improvements such as online contract tracking, supply chain management, and the use of e-payment systems have greatly simplified the contracting process.

In Uzbekistan, ESG standards play an increasingly vital role in green economy financing, attracting foreign investment, international loans, and grants from international financial institutions, foreign national financial bodies, and other non-repayable foreign assistance. Companies operating in Uzbekistan face potential environmental risks tied to institutional development. Going forward, ESG standards will be critical for businesses in achieving sustainable growth and securing a strong market position, as more investors and countries are opting to fund only those projects that align with these standards.

Companies must strive to adopt best practices in minimizing environmental impact (E – Environmental), enhancing social development and labor conditions (S – Social), and ensuring corporate governance and business transparency (G –



Governance). Discussing and widely promoting ESG principles is not only relevant but also essential for avoiding common mistakes and for adapting global best practices within Uzbekistan's ESG ecosystem.

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