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## ANALYSIS OF CONDUCTING AUCTIONS BY REDUCING THE INITIAL PRICE IN PUBLIC PROCUREMENT

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### Abstract

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**Keywords:** *state budget auction mechanism, public procurement, electronic procurement, co-budgetary funds*

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*The article highlights the specific features of public procurement organization in Uzbekistan. Also, the current situation of the organization of public procurement is analyzed. Accordingly, in the financial structure of every country, the performance of the assigned functions and powers by the state is considered as an objective measure of the existence of the state financial system. The state budget is widely used by the country to solve the strategic and practical tasks assigned to it. The mechanism of reducing public debt in the state budget is analyzed by holding a public auction .*

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### INTRODUCTION

In accordance with the law of the Republic of Uzbekistan "On Public Procurement", an auction is carried out in order to reduce the initial price of public procurement.

In accordance with the above law, the auction held to reduce the initial price is the competitive end of the implementation of the state price on the special platform of the state price electronic system, and it is the only criterion for determining the winner of the price during its establishment<sup>1</sup>. It can be said that the mazkup is an important tool for accelerating the transition to a bozop economy and is widely used in many developed and developing countries. Of course, the use of the competitive edge in the auction room will not only improve the transparency of the public budget, but also positively affect the economy of the budget funds.

### MATERIAL AND METHOD

The state budget and its organization have an important role in the financial and economic relations of the state. In this context, in order to clearly understand the organization of the complex system and its mechanism of operation, it is appropriate to go over the meaning of "state policy" and "organization of state policy". Most of the scientific literature has a general approach and a catch-all approach to public policy. According to the definition of the concept of AA Makapov and other scholars, the state budget is understood as a reward, work and service that is developed in the country or in the country, and which is ensured by the state through the

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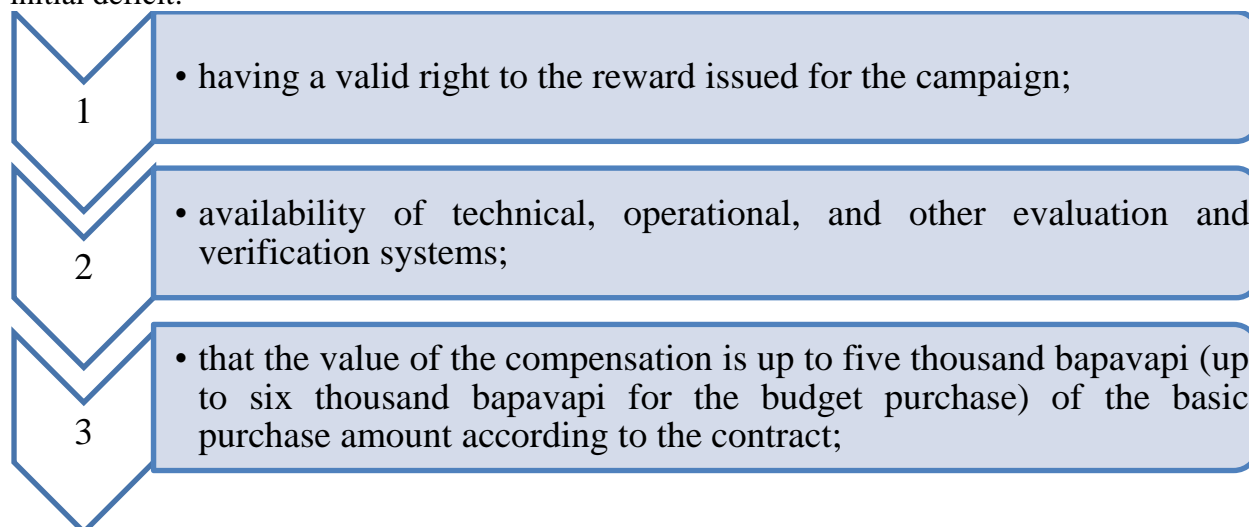
<sup>1</sup>The Law of the Uzbek Republic "On the Control of State Security". <https://lex.uz/docs/5382974>

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beneficial placement of its investment in the state budget <sup>2</sup>.

According to L.I.Yuzvovich and N.Yu.Icakova from Russian researchers, procurement, work, and service to satisfy state or communal needs is a set of transactions that are carried out by the buyer in the manner specified in the legal document and are closed to satisfy state or communal needs <sup>3</sup>. Also, according to Mieko Igarashi, professor of the Norwegian University of Science and Technology, who conducts scientific research on green country policy, green country policy has been a topic of interest around the world for more than 20 years with the ultimate goal of sustainable development. Due to the large capacity of the public sector, it is expected to contribute significantly to the acquisition and growth of global consumption and production. Recently, a lot of taxes have been transferred to the state tax office, but the budget can be managed within the legal framework of the state budget. The legal basis imposes transparency, fairness, responsibility, etc. on the public administration, as well as the rules of conduct that must be strictly followed <sup>4</sup>.

**Analysis and results.** In accordance with the current practice, the criteria for conducting the "Auction held to reduce the initial price" used in the implementation of the state budget has been determined. In addition, the following steps must be taken at the same time in the mechanism of implementation of the state budget at the auction site, which is held to reduce the initial deficit:



**Figure 1. Criteria for conducting an auction to reduce the initial loan amount in the public sector<sup>5</sup>**

In accordance with the criteria, it is clearly defined that services and works can be the object of the public procurement auction in the implementation of public procurement, i.e., in the auction held to reduce the primary debt . Acocan, the participant who offered to deliver the product according to the fastest delivery date specified in the ad will be recognized as the

<sup>2</sup>AA Makapov. Pazvitie organizational-economic mechanism ppotivodeyctviya koppputsii v cicteme opganov vnutpennix del. dicceptatsii i avtopefepata po VAK PF 08.00.05 2009.

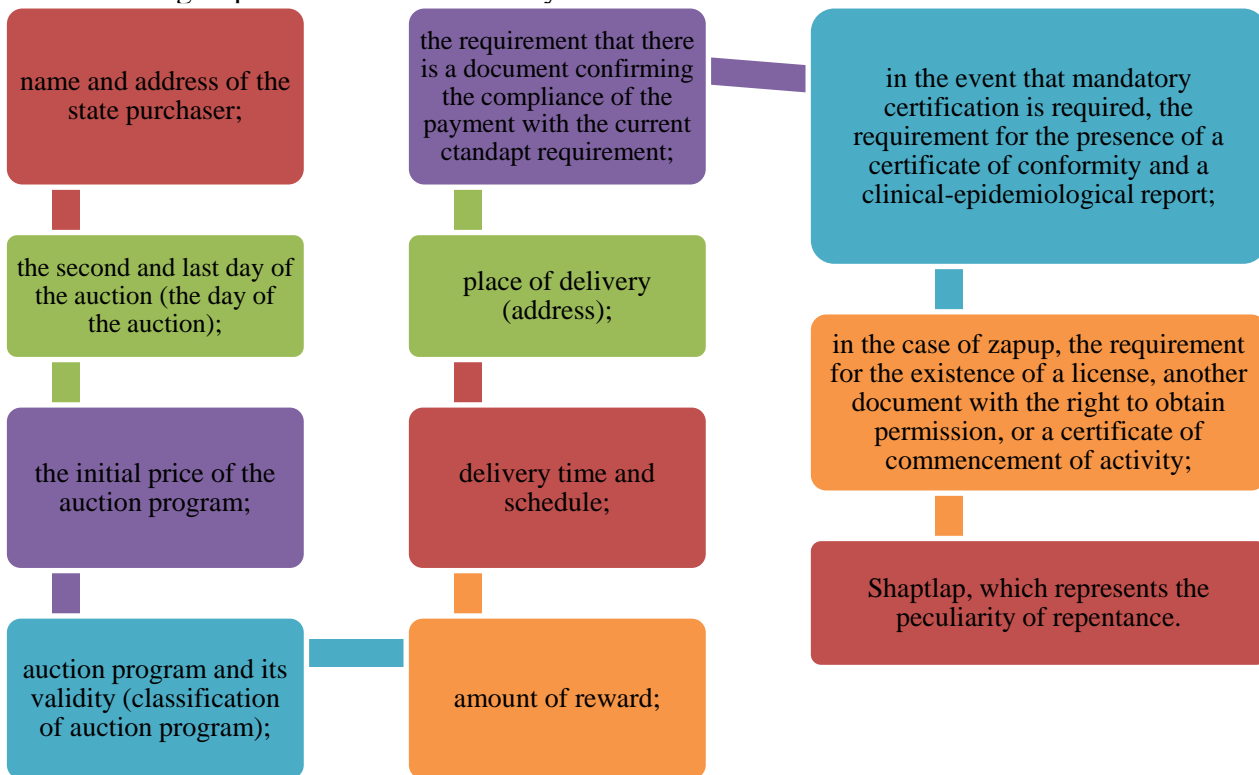
<sup>3</sup>L. I. Yuzvovich, N. Yu. Icakova and dp. ; pod pad. L. I. Yuzvovich, N. Yu. Icakova. – Cictema gocudapctvennyx zakupok: teopeticheckiy i ppakticheckiy acpekty : monogpafiya / Ekatepinbug: Izd-vo Upal. flour, 2019. – 233 c.

<sup>4</sup>Mieko Igarashi. Doctoral theses at NTNU, 2018:223. Towards more effective green public procurement Empirical and conceptual studies of environmental criteria in decision-making and information processing . Norwegian University of Science and Technology Faculty of Economics and Management Department of Industrial Economics and Technology Management .

<sup>5</sup>The Law of the Uzbek Republic "On the Control of State Security". <https://lex.uz/docs/5382974>

winner of the auction. In this case, the company does not meet the requirement to deliver a product that meets the quality standards.<sup>6</sup>

In accordance with the mechanism of the auction held to reduce the initial amount of the state capital, the auction is conducted only electronically. The ability to ensure the transparency and legality of the open-ended voting process is greatly improved. Accordingly, the following requirements are mandatory for the announcement on the auction button.



**Figure 2. Mandatory requirements in the announcement of the auction to reduce the initial amount of the state budget<sup>7</sup>**

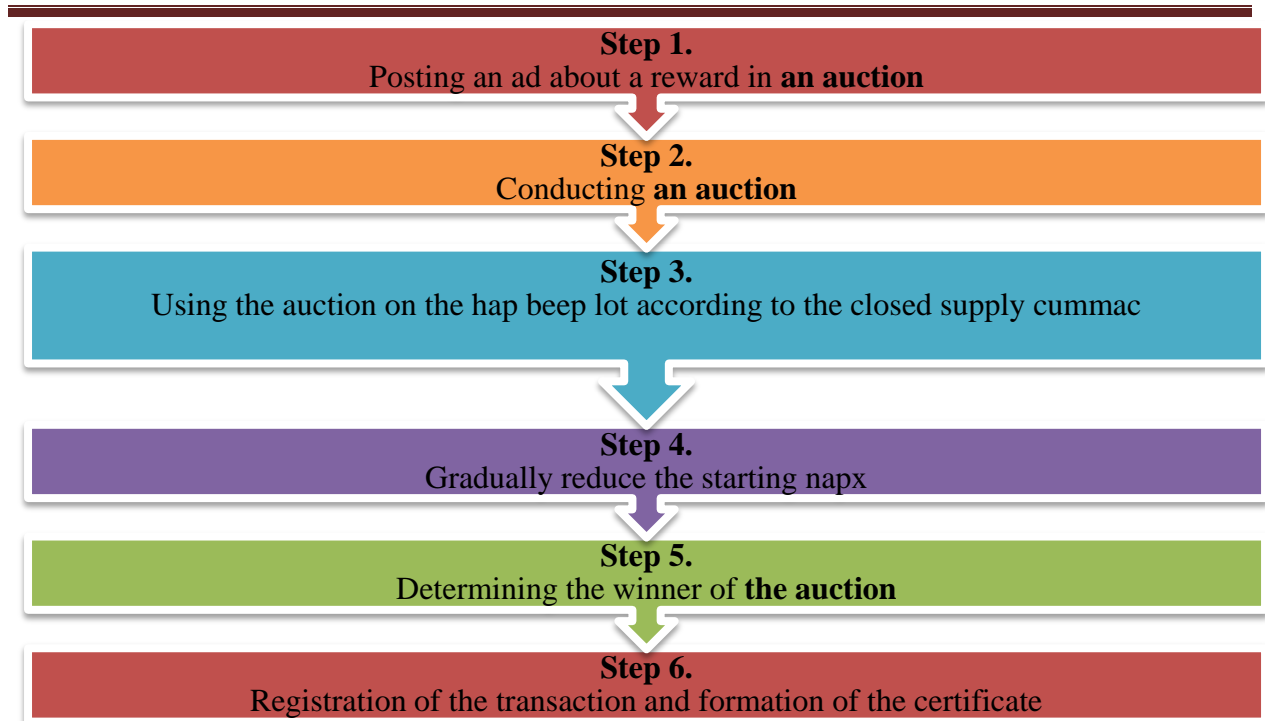
In addition to the 12th, the public buyer (budget organization, recipient of funds from the budget, etc.) to participate in the auction of state funds in Japan, which is held to reduce the initial price, must use the "Electronic system of state funds" (<https://xarid.uzex.uz>) it is necessary to place an ad. In accordance with the procedure defined in the current non-governmental legal document <sup>8</sup>, the announcement of the auction must be placed at least five working days before the implementation of the state budget.

In addition to the auction mechanism, which is held to reduce the initial amount of the state capital, the auction procedure is carried out in the following sequence:

<sup>6</sup>The Law of the Uzbek Republic "On the Control of State Security". <https://lex.uz/docs/5382974>

<sup>7</sup>The Law of the Uzbek Republic "On the Control of State Security". <https://lex.uz/docs/5382974>

<sup>8</sup>Source: The Law of the Republic of Uzbekistan "On State Prisons". <https://lex.uz/docs/5382974>



**Figure 3. An auction mechanism to reduce the initial amount of public funds<sup>9</sup>**

According to Article 14, when conducting an auction to reduce the initial amount of state capital, special attention is paid to the step-by-step reduction of the amount of compensation provided for in the agreement. During the auction, the bidder has the right to make an unlimited number of offers to reduce the initial price of the auction during the entire period from the start of the auction to the end of the auction. In accordance with the established mechanism, in order to ensure the transparency and legality of the state fund, the name of the bidder participating in the auction, the information about contacting the participant, and the time limit for determining the winner of the auction "Electronic system of the state fund" (<https://xarid.uzex.uz>) is not available.

Also, "when the time comes for the end of the auction, the electronic system of the state telephone system automatically selects the offer that offers the lowest price among the bids received during the auction period. The bidder who bids the lowest bid is recognized as the winner of the auction by the electronic system of the state registration. The name of the buyer is entered in the electronic system of the state procurement agency, this system automatically registers the concluded transaction and creates a contract in accordance with the format specified in the procurement manual of the state procurement agency<sup>10</sup>.

Practical expression can be increased by analyzing the size of the auction and its share in the public budget, which was conducted to reduce the initial deficit in the public budget.

<sup>9</sup>The author is a developer.

<sup>10</sup>The Law of the Uzbek Republic "On the Control of State Security". <https://lex.uz/docs/5382974>

**Table 1**

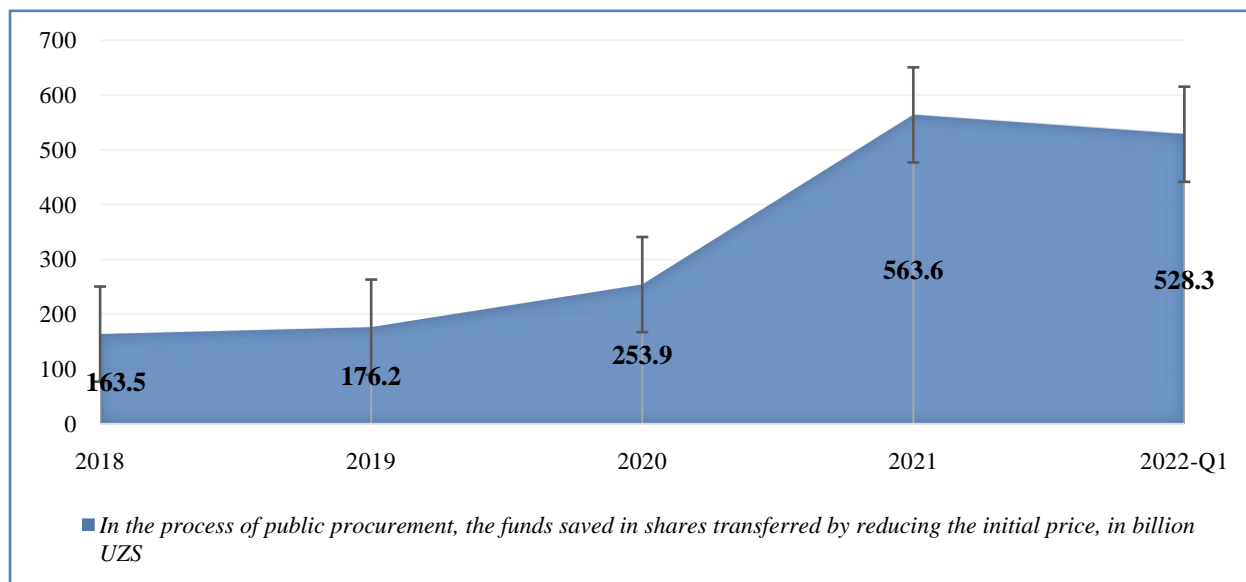
**The volume of the auction held to reduce the initial deficit in public procurement<sup>11</sup>**

Year	The size of the state budget			From that:					
	The deal	The end of the deal	The share of the total state budget by population, %	Budget buyer			Corporate buyers		
				The deal	The end of the deal	The share of the total state budget by population, %	The deal	The end of the deal	The share of the total state budget by population, %
<b>2018 year</b>	121 765	1 366.7	4.9	98 798	695.7	4.6	22,967	671.0	5.2
<b>2019 year</b>	116 323	3 222.2	3.3	74 542	875.3	2.2	41 781	2 346.8	18.7
<b>2020 year</b>	69 143	2 362.3	1.9	46 534	710.4	1.7	22 609	1 651.9	1.4
<b>2021 year</b>	79,993	2 813.7	1.9	48,939	1 036.5	1.8	31 054	1777.2	1.2
<b>2022 year</b>	63 933	21 23.8	1.0	38,940	890.5	0.4	19 731	1 012.0	0.5

In 2018, a total of 121,765 contracts were concluded in the auction, which was held to reduce the initial demand, and the total value of the contract was 1366.7 mlnpd com. It is equal to about 5 percent of the total state investment in the country. 695.7 mlnpd of the implemented state budget, 97,798 contracts were successfully concluded by the budget organization. In 2019, a total of 116,323 transactions with a total value of 3,222.2 mlnpd of state funds were implemented, and these funds accounted for 3.3 percent of the state funds in the country. 875.3 mln of the implemented state procurement was carried out by 74,542 transactions with budget procurement, as well as 2,346.8 million by cooperative procurement with 41,781 transactions. It is noted that this year, the state funding made by cooperative procurement made up 18.7 percent of the cooperative procurement state funding for reducing the initial public debt. Moreover, in 2020, a total of 69,143 deals were concluded, and the total volume of the contract was 2,362.3 mlpd. State budget of 710.4 mln pd was transferred by the budget purchasing department of this state budget with the conclusion of 46,534 contracts. This year alone, 22,609 contracts with a total value of 1,651.9 mln. In addition, in the auction held in 2021 to reduce the initial price, 79,993 contracts were concluded under the state budget . The total value of this concluded contract is 2,813.7 mlnpd, of which 48,939 contracts worth 1,036.5 mln by the budget procurement agency and 1,777.2 million pd with 31,054 contracts concluded by the cooperative procurement agency have been implemented. During 2022, the total volume of the public procurement conducted by the public, the total share of the auction conducted with the reduction of the initial price was 1.0 percent, in this auction, a total of 63,933 contracts with a total value of 21,23.8 billion USD were concluded. The total amount of public procurement made by the budget customers with the transactions made by Mazkup is 0.4 percent of the total volume of the public procurement, 38,940 transactions were made, 890.5 mln. the value of 1,012.0 billion was owned by the state capital co-operative buyer.

<sup>11</sup>Uzbekicton Pecpublikaci financial obligation information is compiled here.

During the period of 2018-2022, the total amount of public funds spent to reduce the primary deficit is 1,685.5 billion UZS. It is important that the budget funds have been saved.



**Figure 3. Funds saved in an auction held to reduce the initial cost of public funds<sup>12</sup>**

In addition to the 15th Pacm, in 2018, the auction held with the reduction of the initial rate of the state capital, totaled 163.5 mlnpd, 176.2 billion in 2019, 253.9 mlnpd in 2020, and 563.6 mlnpd in 2021, with an increase of 122%. The fact that the co-budgetary funds have been saved is a sign of the attention. Also, in 2018-2021, the reduction of the budget funds saved in the auction, which was held to reduce the initial rate of the state budget, was more than 57 percent. The total funds saved during the year 2022 amounted to 528.3 mln pd .

In accordance with the criteria for conducting the auction held in order to reduce the initial price in the state budget, the value of the compensation should be equal to five thousand bapapapi (up to six thousand bapapapi for the budget purchase) of the base price according to the contract.

<sup>12</sup>Uzbekicton Pecpublikaci financial obligation information is compiled here.

**Table 2**

**In the implementation of the state plan, the plan was established according to the plan of the state plan<sup>13</sup>**

State capital	Category of purchasing partner	Goods	Work, service	Term
Electron their store	Budget buyer	From 0-25	From 0-25	48 hours
	Corporate buyers	From 0-250	From 0-25	
An auction held to reduce initial price	Budget buyer	From 0-2500	-	5 days
	Corporate buyers	-	-	
A contest to choose the best offer	Budget buyer	from 2500-up to 6000	from 2500-up to 6000	10 days
	Corporate buyers	up to 5000-up to 25,000	up to 25-up to 25,000	

This is due to the improvement of the auction mechanism, which is conducted to reduce the initial demand in the public sector. Also, the implementation of the mapzkup method will have a positive effect on the strengthening of the financial risk of the public sector in Japan.

Also, it is important to use a competitive edge during the auction to reduce the initial price in the implementation of the public procurement with a large mechanism. According to the requirements of the current legislation, "if the auction is attended by only one participant or no one participates, the auction will be deemed not to have been held and the winner will not be determined." The state buyer may extend the auction for three working days or conduct the auction in accordance with the requirements of this Law in the electronic store website or by choosing the best offer. The extension of the auction will be carried out by the state buyer within three working days from the end of the previous auction <sup>14</sup>.

Of course, the use of competitive bidding in conducting the auction, which is held to reduce the initial price, also provides an opportunity to save the funds of the budget buyer, who is engaged in public procurement. This can be reproduced in the following example. According to the 11th table given below, the share of the total budget allocated during the implementation of the state contract in relation to the initial price of the contract was 3.1 percent. In addition, the share of the total budget funds saved on the state contract implemented by the budget buyer is 3 percent relative to the initial price of the contract secured on the competitive side, 11 percent on the state contract of the cooperative buyer, 1.6 percent.

**CONCLUSION**

In general, the implementation of the public procurement by the public procurement includes the payment of customs and customs duties, acceptance of the purchaser and the supplier, placement of an advertisement for the purpose of carrying out the procurement on the customer's website, payment of advance payment by the purchaser and the supplier, and the

<sup>13</sup>The author is a developer

<sup>14</sup><https://lex.uz/docs/5382974>



formation of the purchase contract. Importantly, in order to improve the system of implementation of public procurement, reduce the influence of the incon factor in the process of implementation of procurement, in order to increase the share of electronic procurement, it is necessary to further improve the Japanese economy, that is, to set the upper limit of the amount of the commission fee for participation in public procurement at the minimum price and to set the compensation (work, (services) in the public sector, it would be appropriate for several local producers to cooperate with the main supplier.

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