



ADDRESSING PUBLIC PROCUREMENT CHALLENGES IN BUDGETARY ORGANIZATIONS STRATEGIC SOLUTIONS FOR TRANSPARENCY AND EFFICIENCY

TURABOV SARVAR ABDUMALIKOVICH

PhD., associate professor, Department of Finance, Tashkent Institute of Finance,
Tashkent, Uzbekistan

Email :sarvarbobur0210@mail.ru

Abstract. This article is dedicated to examining the challenges and strategies for resolving issues in the public procurement processes conducted by budgetary organizations in the Republic of Uzbekistan. The public procurement system is recognized as one of the key factors in ensuring the prudent and efficient management of public funds, as well as in achieving economic stability. The article provides a detailed analysis of reforms aimed at ensuring transparency, fostering a competitive environment, and reducing corruption in public procurement, particularly through the “Law on Public Procurement” and recent digitalization initiatives. Additionally, effective approaches to further improve public procurement processes are considered based on recommendations from international organizations such as the OECD, World Bank, Transparency International, and UNODC. The article highlights opportunities for enhancing economic efficiency in Uzbekistan by digitalizing public procurement to increase transparency and reduce human involvement in processes. It explores methods for strengthening financial control, creating equal opportunities for small and medium-sized businesses, and combating corruption, offering practical recommendations based on international experiences. The research findings demonstrate the significance of public procurement in reforming the system, rational allocation of resources, and increasing the economic efficiency of the state. The article also emphasizes the need for effective measures to stimulate economic development through public procurement and to ensure active participation of small businesses in the procurement process.

Keywords

Public procurement, budgetary organizations, transparency, anti-corruption, economic efficiency, digitalization, small business entities, international experience, financial control, Uzbekistan.



Introduction

The management of public procurement within budgetary organizations plays a critical role in the efficient allocation of public funds and ensuring economic stability. The public procurement process not only enables the prudent distribution of economic resources but also serves as a means of increasing transparency and reducing corruption. The Law “On Public Procurement” (Law of the Republic of Uzbekistan, No. LRU-684, April 22, 2021) regulates this process and is designed to provide essential goods and services for state needs under fair conditions. This law establishes transparency and openness, fostering a competitive environment in public procurement, which is a vital step toward enhancing economic efficiency.

In recent years, Uzbekistan has undertaken several reforms to improve public procurement, with a strong focus on digitalizing processes and implementing an electronic public procurement system to achieve greater efficiency. According to the OECD and World Bank, digital systems that promote transparency and efficiency in public procurement have proven to be effective approaches globally. The OECD’s 2019 report identifies enhancing transparency and efficiency in public procurement as one of the most effective international management practices.

The research by Muminov and Zakhirova explores the role of digitalizing public procurement in enhancing economic efficiency, emphasizing the potential for transparency and competitiveness through the development of electronic trading platforms (Muminov & Zakhirova, 2020). Their work highlights the benefits of promoting economic growth by encouraging broader participation of small and medium-sized enterprises in public procurement, based on international experience. Another study by Isroilov, Abduganiyev, and Ibragimov examines the importance of strengthening financial control systems in public procurement to reduce the risk of corruption and increase efficiency. Their research underscores the significance of internal and external financial control mechanisms in reinforcing financial discipline and lowering corruption levels (Isroilov, Abduganiyev & Ibragimov, 2020). International organizations such as Transparency International and UNODC also stress the need for effective control systems to ensure transparency in public procurement, considering these measures global standards in combating corruption. This article analyzes the primary challenges in managing



public procurement in budgetary organizations in Uzbekistan and explores strategies for resolving these issues. Drawing on international experience from organizations such as the OECD, World Bank, Transparency International, and UNODC, it provides practical recommendations for increasing transparency, strengthening competition, and combating corruption in public procurement. Through this approach, the article highlights comprehensive strategies aimed at improving the efficiency of the public procurement system and ensuring economic stability.

Methodology

This study focuses on identifying the main challenges in managing public procurement in budgetary organizations and exploring solutions to address them. The research involved analyzing regulatory documents related to public procurement, particularly the Law of the Republic of Uzbekistan “On Public Procurement” (No. LRU-684, April 22, 2021), along with scientific articles and relevant studies. Practical recommendations were developed to enhance competition, ensure transparency, and expand opportunities for small business entities within the public procurement system. Methodologically, the study employed an analysis of regulatory documents and a review of scientific literature, systematically examining existing approaches for identifying challenges and proposing solutions.

Results

This study focused on examining the effectiveness and relevance of measures aimed at improving the public procurement system in the Republic of Uzbekistan and enhancing the efficiency of this process within budgetary organizations. The analysis showed that in recent years, a series of regulatory documents governing public procurement, including the Law “On Public Procurement” (Republic of Uzbekistan, No. LRU-684, 2021), have been essential steps in ensuring transparency and increasing competition within the public procurement system. This law has expanded the possibilities for the efficient and targeted allocation of public funds. Additionally, reforms to transition tender processes to electronic formats have significantly impacted by reducing human involvement and mitigating corruption risks.

The achievements in digitalizing public procurement processes have led to noticeable increases in transparency and openness. As highlighted in Sardor Khamdamov’s article,



“Organizing Public Procurement in Uzbekistan: Legal and Procedural Framework,” electronic systems in public procurement are contributing to reducing corruption and fostering a competitive environment within tender processes. Although this approach has increased competition, challenges remain for small and medium-sized enterprises (SMEs) in actively participating in public procurement. It remains necessary to simplify tender requirements and create more opportunities for SMEs to participate fully in procurement processes.

The study also underscored the importance of strengthening financial control in public procurement. Research by Isroilov B.I., Abduganiyev U.K., and Ibragimov B.B. suggests that strengthening internal and external financial control mechanisms is critical for reducing corruption risk and enhancing financial discipline in public procurement. Their proposals for financial audit and control systems play a crucial role in ensuring effective management of public funds. Furthermore, the authors emphasize that bolstering the financial control system within public procurement can help prevent the misallocation and misuse of budgetary funds.

The study found that digitalizing public procurement processes creates opportunities to support SMEs. N.G. Muminov and G.M. Zakhirova’s article, “The Role of Public Procurement in the Digitalization of the Economy and Adoption of E-commerce,” discusses how a digitalized public procurement system can introduce brokerage services in trading platforms and provide additional support for small business entities. Although there are certain technical and organizational shortcomings in facilitating SME participation in public procurement, the ongoing reforms show positive outcomes and indicate the need for further system improvements in the future. The research identified that, alongside achievements in fostering competitiveness, transparency, and efficiency in public procurement, there is a continued need to create equal opportunities for small businesses and strengthen financial control systems. Additionally, as a result of reforms aimed at transitioning public procurement to electronic formats, clear positive changes have been observed, including reductions in corruption and inefficiencies, enhanced competition, and improved management of public funds in procurement processes.



Discussion

The reforms undertaken in Uzbekistan in public procurement management, particularly the adoption of the Law “On Public Procurement,” represent crucial steps towards ensuring the prudent and transparent management of public funds. The introduction of the electronic public procurement system serves to reduce corruption risks, accelerate processes, and minimize human involvement. However, opportunities for small and medium-sized enterprises (SMEs) to participate in public procurement remain limited. Research by Sardor Khamdamov highlights the need to remove barriers for SMEs to further increase competition in public procurement, pointing to the necessity of deepening these reforms. Preventing corruption and strengthening financial control in public procurement are also critical issues raised in this study. Research by B.I. Isroilov and colleagues demonstrates that enhancing financial control systems can lead to more effective management of public procurement and prevent the inefficient use of budgetary funds. These control mechanisms not only reduce the risk of corruption but also promote transparency in procurement processes.

While significant achievements have been made in the digitalization process, certain technical and organizational challenges remain. Research by N.G. Muminov and G.M. Zakhirova suggests that further improving digitalization can broaden SME participation in public procurement and create more favorable conditions for participants in trade processes. However, the insufficient development of digitalization has led to technical obstacles in the process, underscoring the need for additional measures to automate and enhance digitalization in public procurement. The findings from this discussion indicate substantial progress in transparency, competition, and anti-corruption efforts within the public procurement system. However, strengthening these achievements and expanding opportunities for SMEs remain pressing issues. Consequently, further reforms and practical measures are needed to improve the efficiency of public procurement.



Conclusion

This study evaluated the effectiveness of reforms aimed at improving the management of public procurement in budgetary organizations in the Republic of Uzbekistan, increasing transparency, reducing corruption risk, and expanding opportunities for small and medium-sized enterprises (SMEs). The adoption of the Law “On Public Procurement” and the introduction of an electronic public procurement system have been significant steps toward targeted and efficient management of public funds. The electronic procurement system has facilitated reduced human involvement and enabled fair and open conditions for public procurement.

The research findings indicate substantial progress in enhancing transparency, fostering competition, and reducing human involvement through the digitalization of public procurement. However, challenges remain for SMEs in participating in procurement processes, as the dominance of larger companies often limits access for smaller entrepreneurs. Thus, it is necessary to create preferential conditions for SMEs, simplify tender requirements, and further develop digitalization to broaden their participation. The study also underscored the need to strengthen financial control and anti-corruption measures within public procurement. Strengthening financial audit and control systems can help prevent the misuse and misallocation of public funds, ensuring fair conditions in the procurement process. Expanding internal and external control mechanisms is also essential for making the procurement control system more effective.

Another key conclusion of this study is the need to improve efficiency and create favorable conditions for participants in procurement through further digitalization. By developing digital technologies that facilitate SME participation, expanding trading platforms and brokerage services, and removing technical and organizational barriers, it is possible to make the procurement process more convenient and transparent. Deepening the digitalization process will increase participation opportunities for small entrepreneurs and contribute to economic development.

Improving the public procurement system, increasing transparency, supporting small businesses, and enhancing anti-corruption measures are crucial for ensuring Uzbekistan’s economic stability. The findings of this study indicate the need to continue reforms in the public



procurement sector, further modernize the system, and address existing challenges with additional measures. Moreover, achieving a more efficient, fair, and transparent public procurement process can strengthen economic development, promote prudent resource management, and enhance public trust in government. This, in turn, will ensure that public procurement functions as an effective tool for supporting the economy and fostering sustainable development.

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