



DIGITAL TRANSFORMATION OF THE PUBLIC PROCUREMENT SYSTEM IN UZBEKISTAN: CHALLENGES OF IMPLEMENTATION AND FUTURE PROSPECTS

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Abstract

The article examines the key aspects of digitalization of the public procurement system of the Republic of Uzbekistan. It analyzes the current state of digital platforms and regulatory frameworks. The main problems of implementing digital tools are identified, including technological, organizational, and human resource barriers. Special attention is paid to the prospects for further development in the context of international experience and the goals of improving transparency, efficiency, and anti-corruption resilience of procurement activities.

INTRODUCTION

Digital transformation has become a key direction of reform in the field of public procurement in many countries around the world. In Uzbekistan, active digitalization in this area began after 2019, when new electronic platforms were introduced and procurement procedures were reformed. However, despite the progress achieved, the process of implementing digital technologies in procurement faces a number of systemic limitations.

Modern challenges facing the system of public administration require deep institutional changes, among which is the digitalization of key processes, including public procurement. In recent years, Uzbekistan has taken active steps to modernize its procurement system in order to enhance transparency, efficiency, and trust in the procedures for distributing budget funds.

The public procurement market is one of the most important elements of the country's socio-economic development, and the system of public orders becomes one of the fundamental institutions of government regulation of the economy, significantly influencing its dynamics and structure.





The term "public procurement" is interpreted differently in each country. According to Kuznetsov K.V., in most cases it refers to purchases made at the expense of the state budget to ensure the functioning of government bodies. At the same time, purchases of goods (works, services) intended for resale are excluded from the concept of "procurement for state needs."

According to Smotrinskaya I.I., in its economic essence, the category of "state order" reflects public needs expressed through government demand, while "public procurement" essentially represents the fulfillment (provision) of public needs. Accordingly, a state order should be understood as a substantiated and formalized need for goods, works, and services for public purposes. The placement of a state order means the process of selecting suppliers (contractors) to enter into public contracts for the supply of goods, performance of works, or provision of services.

The term "public procurement," characterizing the nature of market contracting, reflects the stage of fulfilling a state order. It is the result, the final stage of the process of meeting public needs, bearing the imprint of all preceding stages, and at the same time, it is a form of meeting public needs, since the exchange of goods between producers and consumers takes place through purchase and sale on the commodity market.

A state order is an action by a public customer aimed at concluding a public contract to meet the need for materials, facilities, or services, the financing of which is primarily carried out through taxpayers' funds necessary for the exercise of government functions and powers. Public procurement is a process aimed at acquiring goods for public needs, the financing of which is primarily carried out through taxpayers' funds. Public procurement, as an important component of public expenditure, is of special importance. It refers to the acquisition of goods, fully or partially, at the expense of public funds. The acquisition of goods, works, and services in global practice is a continuous process aimed at the rational utilization of funds and investments. The term "procurement" exists alongside the term "purchases," and although the loanword "procurement" can sound foreign in some publications, it refers universally to the acquisition of goods, works, and services in exchange for remuneration.

According to Uzbekistan's legislation, "Public procurement is the purchase of goods (works, services) carried out at the expense of budget system funds." In our opinion, the definitions of state order and public procurement proposed by Smotrinskaya I.I. are the most accurate as they most fully reflect the economic essence of these categories. According to the classification proposed by UNCITRAL, procurement objects are divided into goods, works, and services.





"Goods" typically refer to items of any kind and description, including raw materials, products, equipment, and items in solid, liquid, or gaseous form, electrical energy, as well as services incidental to the supply of goods, if the value of such services does not exceed the value of the goods themselves. "Works" refer to any activity related to the construction, reconstruction, demolition, or renovation of buildings or facilities, including site preparation, excavation, erection, installation, and finishing, as well as related construction services such as drilling, surveying, satellite imagery, seismic studies, and similar services. "Services" refer to any procurement object other than goods and works.

DISCUSSION AND RESULTS

Public procurement should be conducted in a rational and economical manner, allowing for:

- consideration of the public customer's costs in conducting procurement and the cost of goods (works, services);
- effective use of allocated procurement funds, ensuring an optimal balance between benefit, quality, and cost (including life cycle costs);
- execution of procurement within optimal timeframes.

Public procurement is carried out to ensure the material and financial support of state infrastructure, which can be broadly divided into two major parts:

- economic infrastructure (transport, utilities, basic infrastructures for ongoing economic activities);
- social infrastructure (schools, hospitals, libraries, prisons — in other words, primary infrastructures for the daily life of society).

– In recent years, public procurement in Uzbekistan has exceeded 11% of GDP, making it a significant factor in economic growth. Public procurement directly affects GDP formation. A well-constructed procurement policy can transform the system into a powerful macroeconomic policy tool, enabling:

- support of specific sectors through expanded public orders, with positive effects on employment and income levels;
- promotion of competition through open tenders;
- enhancement of product quality by setting compliance with international standards as tender conditions;
- development of small business and private entrepreneurship by allocating specific categories of goods, works, and services to such entities.





However, this approach is only effective if the procurement system meets certain conditions, primarily the presence of efficient procurement management, planning mechanisms, and impact assessment tools.

The government of Uzbekistan has used public procurement as a tool in various forms. For instance, reforms in secondary specialized education not only expanded the network of educational institutions but also stimulated the capital construction sector. Today, Uzbekistan's construction companies match international standards in design and installation work, unlike in 2000 when they could not compete. The range of domestically produced construction materials has also expanded, and the increase in public construction orders has helped reduce unemployment. The same is true for furniture manufacturing and other sectors.

Entities involved in public procurement in Uzbekistan include:

Public customers: budget recipients and managers of public targeted and extra-budgetary funds, including organizations receiving international grants or loans guaranteed by the government, and state-owned enterprises.

External oversight bodies (e.g., the Accounts Chamber).

Government (Cabinet of Ministers).

State and economic management bodies: Ministry of Finance, Ministry of Investments and Foreign Trade, State Committee for Architecture and Construction.

Suppliers: businesses supplying goods, performing works, or providing services.

Supporting organizations: servicing banks, freight forwarding companies, consulting firms, and expert bodies authorized by law.

An analysis of current practice in developed and developing countries shows three main models of public procurement organization:

Centralized Model (Joint Procurement Model): procurement orders are placed by a specialized organization or centralized unit within an executive body.

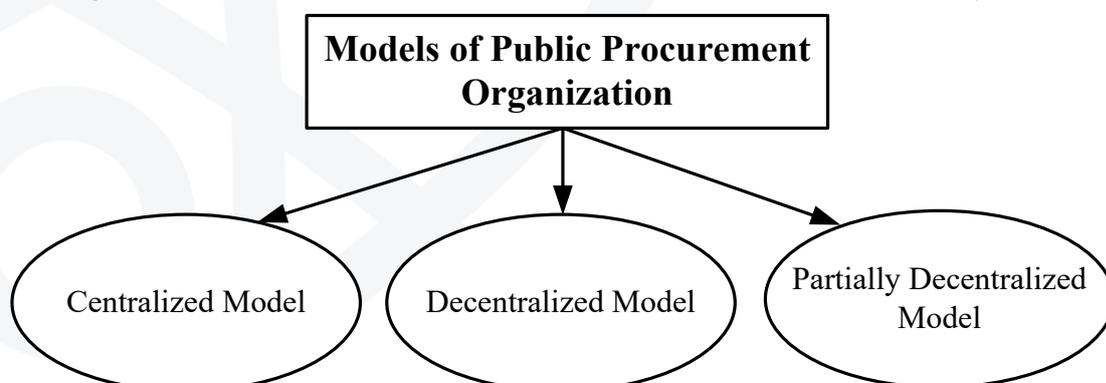


Figure 1 – Models of Public Procurement Organization



An example of the use of this model can be found in the United States public procurement system. In the U.S. system of public administration, a key issue is which bodies have the authority to enter into contracts on behalf of the government.

Decentralized Model. In this model, each public customer independently places procurement orders within the scope of their activities. An example of a decentralized model is the procurement system of Germany, whose distinctive feature is the positioning of the state within the economy. The state initially holds no special privileges or powers. As a buyer, the state competes with private sector representatives, monitors market changes, and informs the market of its needs by announcing tenders for goods and services. Dispute resolution is governed by civil law.

Partially Decentralized Model. In this model, the authority to place procurement orders is divided between public customers and a specialized organization. Various variations may exist, for example, centralized procurement only for imported goods, while domestic procurement of goods, works, and services is decentralized. The division of procurement authority may also follow other criteria.

Public procurement in Uzbekistan is one of the most important tools of economic regulation and is also a focus of anti-corruption policy. Despite ongoing reforms, this area continues to face a number of systemic challenges.

In recent years, Uzbekistan's public procurement system has been undergoing an active phase of reform. However, significant problems remain that hinder its effective functioning. One of the key problems is the lack of transparency at all stages of the procurement process. Participants often face limited access to full tender information, and the procedures are overly formal, prioritizing the lowest price over product quality or supplier experience. This reduces the efficiency of budget spending and restricts competition [9–14].

Significant difficulties are caused by the limited participation of small and medium-sized businesses, due to excessive participation requirements, complex documentation, and the lack of support systems. In practice, this leads to market monopolization and reduced innovation.

There are also issues within the legal framework: frequent changes in legislation create legal instability, and some mechanisms, especially electronic procedures, remain insufficiently regulated. This complicates practical application and leads to legal disputes. In an environment with insufficient control, the risk of corruption increases, particularly where informal links exist between customers and suppliers.

Technical barriers are compounded by a shortage of qualified personnel. Electronic platforms still lack the required level of reliability and integration, and many participants have low levels of digital literacy.





To overcome these problems, a comprehensive approach is needed. Maximum transparency in procurement information must be ensured, fairer methods of evaluating proposals introduced, qualitative characteristics of goods and services considered, and favorable conditions created for small business participation. It is important to improve legislation, enhance technical infrastructure, raise the qualifications of personnel, and strengthen independent monitoring and auditing. Only under such conditions will the public procurement system be able to fulfill its main function—acting as an effective and transparent instrument for the allocation of budgetary resources.

CONCLUSION

The digital transformation of Uzbekistan's public procurement system represents a strategically important area of institutional reform aimed at improving transparency, efficiency, and trust in budget distribution processes. Despite progress in implementing electronic platforms and developing the legal framework, significant challenges remain, including technological instability, limited competition, legal uncertainty, and the restricted participation of small businesses.

The analysis shows that implementing digital mechanisms requires not only technical modernization but also a comprehensive approach—from improving legislation and raising digital literacy to introducing independent control mechanisms and anti-corruption monitoring. International experience confirms that effective digitalization is only possible with political will, institutional coordination, and sustained feedback from procurement participants.

Uzbekistan has significant potential to build a modern, competitive, and transparent public procurement system. To achieve this, it is necessary not just to automate existing processes but to rethink the fundamental principles of system functioning—from procurement planning to evaluating its impact on the economy and society. In the long term, digitalization can become one of the key drivers of sustainable economic growth, the development of fair competition, and increased efficiency in public administration.

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