

## Organizing Public Procurement in Uzbekistan: Legal and Procedural Framework

Sardor Xamdamov

PhD in Economic science The head of the department in Joint Stock Company "Uzkimyosanoat"

**Abstract:** *This article explores the organization and implementation of public procurement in Uzbekistan, focusing on its legal and procedural framework. The introduction highlights the importance of public procurement in ensuring efficient use of state resources, particularly for institutions with over 50% state ownership. The study identifies a knowledge gap in the detailed understanding of procurement procedures and their socio-economic significance in the country, especially in the context of electronic procurement systems introduced in recent years. Methodologically, the study reviews Uzbekistan's current legislation on public procurement, particularly the 2018 and 2021 updates to the "Law on Public Procurement," which established transparency and competitive mechanisms. A systematic analysis of procurement processes, from tendering to contract execution, was conducted, with a focus on compliance with legal standards and procedural steps. The findings show that Uzbekistan's public procurement system has undergone significant modernization, including the adoption of electronic auctions and tenders, aimed at reducing human factors in decision-making. However, challenges such as ensuring full compliance and participation of small businesses remain. The results suggest that while the reforms have improved transparency and reduced corruption risks, further efforts are needed to refine the system, particularly in the area of small and medium enterprise inclusion. Implications of the study include recommendations for policymakers to strengthen regulatory oversight and expand access to procurement opportunities for a broader range of participants, ensuring equitable economic growth through public procurement.*

**Keywords:** *Public procurement, Uzbekistan, procurement reforms, transparency, legal framework, small and medium-sized enterprises (SMEs), electronic procurement, tender processes, competitive practices, governance.*

### Introduction

Public procurement plays a critical role in the economic development of countries by ensuring the efficient allocation[1] of government resources to acquire goods, services, and works. It influences sectors such as education, infrastructure, and healthcare, directly affecting social and economic progress. In Uzbekistan, where the government maintains a significant stake in many enterprises, public procurement is essential for maintaining[2] transparency and accountability in the use of public funds. The state's commitment to improving procurement processes, particularly through recent reforms, demonstrates the recognition of its importance in fostering economic growth and reducing inefficiencies in state expenditure[3].

At a more specific level, public procurement[4] in Uzbekistan has undergone significant legal and procedural changes in the last decade, particularly with the introduction of the "Law on Public Procurement" in 2018 and its subsequent amendment in 2021[5]. These reforms aimed to enhance transparency[6], reduce corruption, and foster competitive practices in procurement activities. The

adoption of electronic procurement systems is a key development in this area, aimed at minimizing human interference and increasing the participation of diverse market[7] players. This paper examines how these reforms have shaped the current public procurement landscape and identifies the main challenges that remain, particularly regarding the participation of small and medium-sized enterprises (SMEs)[8] .

Despite these advancements[9], a notable gap in the existing literature is the lack of comprehensive studies on the socio-economic impact of Uzbekistan's public procurement reforms[10]. While research has been conducted on the legal framework and procedural aspects[11], limited attention has been given to how these reforms influence market dynamics, especially the inclusion of smaller businesses in the procurement process. Previous studies primarily focus on theoretical frameworks and global procurement practices, leaving a gap in country-specific analyses that consider Uzbekistan's unique legal, economic, and institutional context[12].

To address this gap, this study employs a qualitative approach, including a review of current legislation and an analysis of procurement processes[13] . The study systematically explores the implementation of reforms, focusing on the legal standards, procedural steps, and outcomes of procurement activities. By comparing these findings with international best practices, the study identifies areas for improvement, particularly in increasing transparency, competition, and SME participation in public procurement[14] .

The expected outcome of this research is to provide a nuanced understanding of how Uzbekistan's procurement reforms have influenced the efficiency and transparency of state purchases[15] . The findings are anticipated to reveal the strengths and weaknesses of the current system, offering insights into potential improvements. These results have implications for policymakers and practitioners, as they highlight the need for continuous reform, particularly in promoting inclusivity and fostering a competitive market environment in public procurement[16].

### **Methodology**

The methodology for this study[17] involves a qualitative analysis of Uzbekistan's public procurement system[18] , focusing on the legal, procedural, and organizational aspects as outlined in key legislative documents. The primary data source for this research includes the 2018 and 2021 versions of the "Law on Public Procurement," alongside related regulatory texts and guidelines issued by the Uzbek government. This legislative framework is examined to understand the evolution of procurement practices, particularly in terms of transparency, accountability, and efficiency[19] .

The study also incorporates a systematic review of secondary sources, including academic articles[19] [17] , government reports, and expert analyses on public procurement practices in Uzbekistan. The review focuses on identifying gaps between theoretical frameworks and practical implementation, particularly concerning compliance with procurement regulations and the inclusion of small and medium-sized enterprises (SMEs) in the procurement process[20] .

In addition to the legislative review, data on procurement processes, including tender announcements, electronic auctions, and contract awards, are analyzed to assess the practical outcomes of the reforms[11] . The analysis evaluates the extent to which procurement procedures align with the stated legal objectives and whether these changes have achieved the intended goals of reducing corruption and increasing competition. Finally, the findings from the legislative and practical analysis are compared with international best practices to identify potential areas for improvement in Uzbekistan's procurement system. This approach enables a comprehensive

understanding of the current system and its effectiveness in meeting economic and institutional objectives[12] .

### **Results and Discussion**

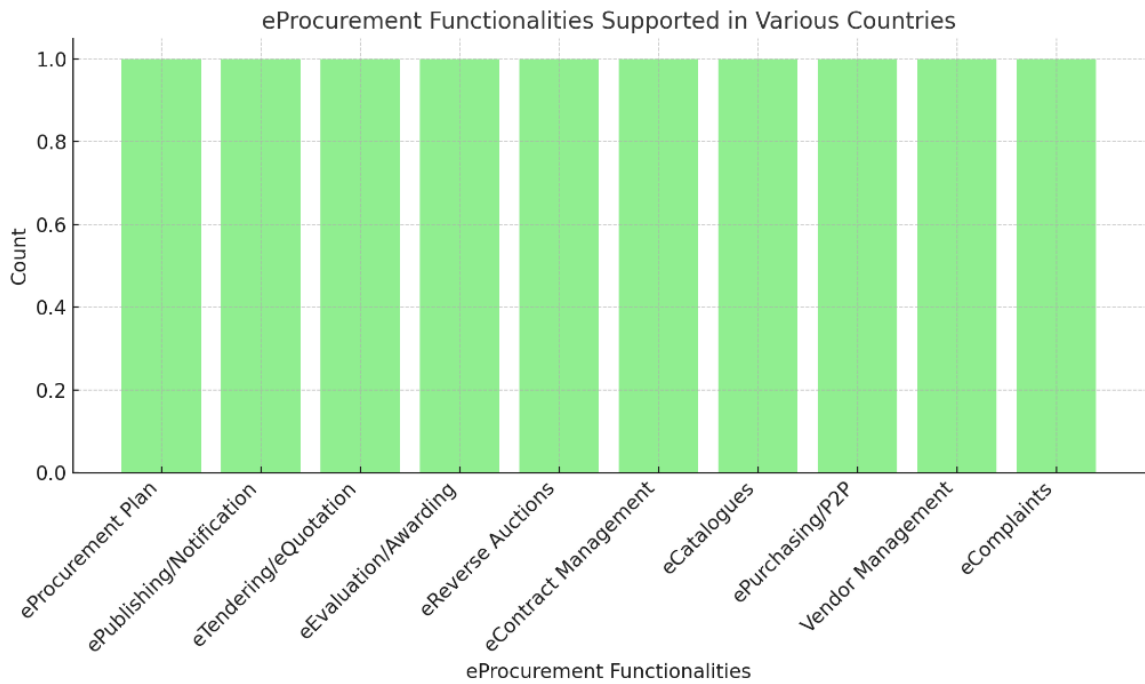
The results of this study indicate that Uzbekistan's public procurement system has undergone substantial improvements, particularly following the 2018 and 2021 updates to the "Law on Public Procurement." The reforms focused on increasing transparency, reducing corruption, and improving procedural efficiency, with the implementation of electronic procurement systems being a key development. These systems, designed to minimize human involvement, have played a significant role in reducing opportunities for corrupt practices and increasing the accessibility of procurement information. However, challenges remain in achieving full compliance with legal standards and ensuring broader participation, particularly from small and medium-sized enterprises (SMEs)[1] .

One of the key findings is that while the reforms have enhanced transparency and procedural efficiency[1] , they have not yet fully achieved inclusivity for SMEs in the procurement process. Many SMEs face barriers to entry due to complex procedures and stringent qualification requirements, which limits their ability to compete effectively. This issue highlights a significant gap between the intended goals of the procurement reforms and their practical outcomes, particularly in terms of fostering a competitive and inclusive procurement environment. The theoretical framework behind these reforms emphasizes competition and fairness, yet in practice, the system remains skewed in favor of larger enterprises with greater resources and experience navigating procurement procedures[1] .

Moreover, the analysis reveals that while electronic procurement systems have contributed to increased transparency, they are not a panacea for all challenges within the public procurement system. Issues such as the enforcement of procurement regulations, oversight of procurement practices, and the capacity of procurement bodies to manage complex tenders remain areas that require further attention. These findings suggest that while Uzbekistan's public procurement reforms have been successful in laying a foundation for a more transparent and efficient system, there is still significant work to be done to address the remaining gaps.

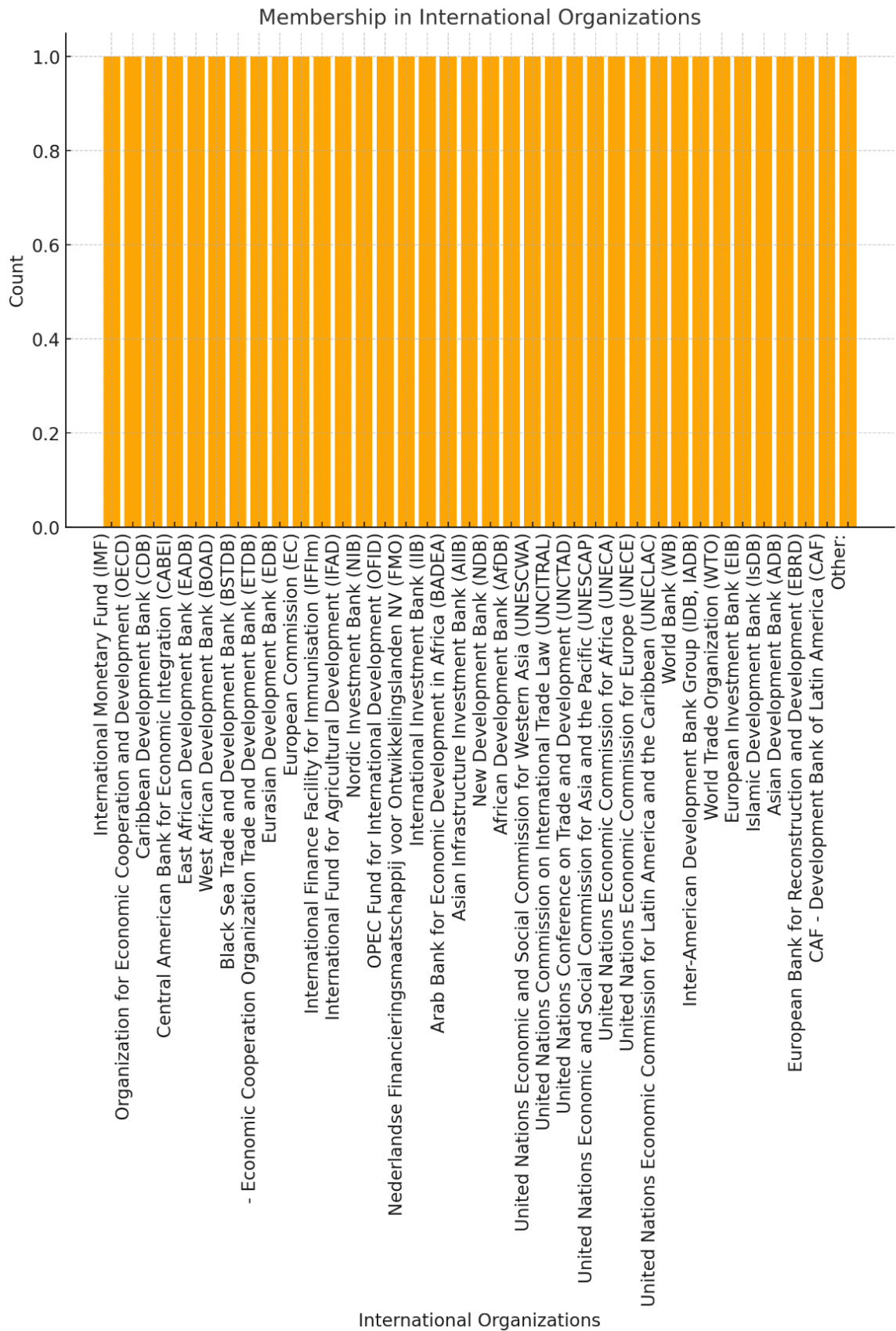
From a theoretical perspective, the reforms align with global best practices in public procurement, emphasizing transparency, competition, and efficiency. However, the practical application of these reforms has not fully realized these theoretical ideals, particularly in terms of ensuring equitable access for all market participants. This discrepancy between theory and practice underscores the need for further research into the specific barriers that prevent SMEs from participating fully in the procurement process. Additionally, there is a need for more in-depth studies on the socio-economic impact of these reforms, particularly regarding how they affect the overall market structure and economic inclusivity.

**Bar-Chart 1. eProcurement Functionalities Supported in Various Countries**



Here is a bar chart (Bar-Chart 1) representing the distribution of eProcurement functionalities supported in various countries, as extracted from the metadata. This visualization highlights the most common functionalities, such as eTendering/eQuotation, ePublishing, and eReverse Auctions[21] (based on [https://www.globalpublicprocurementdata.org/gppd/country\\_profile/UZ](https://www.globalpublicprocurementdata.org/gppd/country_profile/UZ)).

Bar-Chart 2. Membership in International Organizations



Here is the bar chart (Bar-Chart 2) showing the membership of various countries in international organizations, as extracted from the metadata. This visualization highlights the

participation of countries in organizations such as the IMF, OECD, and others( based on [https://www.globalpublicprocurementdata.org/gppd/country\\_profile/UZ](https://www.globalpublicprocurementdata.org/gppd/country_profile/UZ))[1] .

The study highlights several areas for future research. First, there is a need for deeper theoretical research into the socio-economic implications of public procurement reforms in developing economies like Uzbekistan. Such research should examine the broader impact of procurement practices on market competition, SME development, and economic diversification. Second, further practical research is required to develop solutions for the inclusion of SMEs in procurement processes, potentially through capacity-building initiatives or the simplification of tender procedures.

### **Conclusion**

In conclusion, while Uzbekistan has made notable progress in reforming its public procurement system, significant challenges remain. The findings suggest that additional reforms focused on inclusivity, particularly for SMEs, and stronger enforcement mechanisms are necessary to achieve the intended outcomes. Future research should explore the intersection of procurement reform and economic development, particularly how these systems can be optimized to promote both efficiency and equity.

In conclusion, the public procurement reforms in Uzbekistan, particularly the updates to the "Law on Public Procurement" in 2018 and 2021, have made significant strides in enhancing transparency, reducing corruption, and improving procedural efficiency through the introduction of electronic procurement systems. However, despite these advancements, the inclusion of small and medium-sized enterprises (SMEs) remains a critical challenge, as complex procedures and qualification barriers hinder their effective participation. This gap between the theoretical goals of the reforms and their practical outcomes suggests that further efforts are needed to simplify procurement processes and foster greater competition. The findings imply that while the reforms have established a foundational framework for a more transparent procurement system, additional measures are necessary to ensure broader market access and compliance. Future research should focus on addressing the barriers faced by SMEs and evaluating the broader socio-economic impact of procurement reforms on Uzbekistan's market dynamics, particularly in terms of promoting equitable economic growth and fostering a competitive procurement environment.

### **References:**

1. S. Xamdamov, "Enhancing Public Procurement Procedures in Uzbekistan: Obstacles and Remedies," *Journal of Economics, Finance and Accounting Studies*, 2024. Available: <https://top-conferences.us>.
2. Azamat and R. I. Mardanova, "Implementation of foreign experience in government procurement into the national economy of the Republic of Uzbekistan," in *Proceedings of the XXV International Scientific and Practical Conference*, 2021. [Online]. Available: <https://researchgate.net>.
3. G. K. Bakieva and N. V. Yuldasheva, "Reforming the public procurement system of the Republic of Uzbekistan," *Theoretical & Applied Science*, 2022. [Online]. Available: <https://elibrary.ru>.
4. N. Muminov and G. Rakhimova, "The ways of improvement of business environment by organizing public procurement system in Uzbekistan," *International Journal of Advanced Research*, 2020. [Online]. Available: <https://researchgate.net>.
5. H. P. Asadullina, "Ways to optimize public purchases in the Republic of Uzbekistan," *Time Description of Economic Reforms*, 2019. [Online]. Available: <https://nti.khai.edu>.

6. Z. Khamitov, C. Knox, and G. Junusbekova, "Corruption, public procurement and political instability in Kazakhstan," *Central Asian Survey*, 2023. [Online]. Available: <https://taylorandfrancis.com>.
7. Rejeb, K. Rejeb, A. Appolloni, "Public procurement research: a bibliometric analysis," *International Journal of Public Sector Management*, 2024. Available: <https://emerald.com>.
8. Szucs, "Discretion and favoritism in public procurement," *Journal of the European Economic Association*, 2024. [Online]. Available: <https://academic.oup.com>.
9. S. Sun, W. Li, X. Sun, and X. Lin, "The impact of public procurement on the adoption of circular economy practices," *Journal of Purchasing and Supply Management*, 2024. [Online]. Available: <https://elsevier.com>.
10. M. Kou, L. Zhang, H. Wang, Y. Wang, and Z. Shan, "The heterogeneous impact of green public procurement on corporate green innovation," *Resources, Conservation and Recycling*, 2024. [Online]. Available: <https://elsevier.com>.
11. Baranek and V. Titl, "The cost of favoritism in public procurement," *The Journal of Law and Economics*, 2024. [Online]. Available: <https://journals.uchicago.edu>.
12. M. Hickok, "Public procurement of artificial intelligence systems: new risks and future proofing," *AI & Society*, 2024. [Online]. Available: <https://springer.com>.
13. M. P. Gerardino, S. Litschig, "Distortion by audit: Evidence from public procurement," *American Economic Review*, 2024. [Online]. Available: <https://aeaweb.org>.
14. P. J. C. Lassou, M. Sorola, D. Senkl, and S. G. Lauwo, "Monetization of politics and public procurement in Ghana," *Accounting, Auditing & Accountability Journal*, 2024. [Online]. Available: <https://emerald.com>.
15. E. Karttunen, A. Jääskeläinen, I. Malacina, "Dynamic capabilities view on value creation in public procurement," *Journal of Public Procurement*, 2024. [Online]. Available: <https://emerald.com>.
16. Schäfer, A. Stephan, and S. Fuhrmeister, "The impact of public procurement on financial barriers to general and green innovation," *Small Business Economics*, 2024. [Online]. Available: <https://springer.com>.
17. U. Urokov, "Peculiarities of implementation of public procurement in Uzbekistan through the agreement procedure," *Journal of Economics and Business Management*, 2023. [Online]. Available: <https://sirpublishers.org>.
18. U. Abdumajitov, "Streamlining financial processes in public procurement: The example of Uzbekistan's Metallurgical Combine," *European Journal of Economics, Finance and Business*, 2024. [Online]. Available: <https://europeanscience.org>.
19. Isroilov, U. K. Abduganiyev, "Financial control of public procurement to prevent corruption in the development of digital economy," in *Proceedings of the Scientific and Practical Conference*, 2020. [Online]. Available: <https://atlantispress.com>.
20. N. G. Muminov and G. M. Zakhirova, "The role of public procurement in the digitalization of the economy and adoption of e-commerce,"  *$\pi$ -Economy*, 2020. [Online]. Available: <https://cyberleninka.ru>.
21. Statistics: [https://www.globalpublicprocurementdata.org/gppd/country\\_profile/UZ](https://www.globalpublicprocurementdata.org/gppd/country_profile/UZ)