



PUBLIC PROCUREMENT IN UZBEKISTAN: CURRENT SYSTEM AND THE ADOPTION OF INTERNATIONAL PRACTICES

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Abstract: Public procurement plays a crucial role in the economic development of countries. This article reviews Uzbekistan's public procurement system, focusing on its legal framework and structure of various procurement methods. The article explores international practices by reviewing the advanced procurement systems of South Korea and Germany and emphasizes their e-procurement platforms and sustainability-focused policies. The study suggests that Uzbekistan could significantly enhance its public procurement efficiency by adopting foreign practices. By implementing a robust e-procurement system and integrating sustainability criteria, Uzbekistan can modernize reduce corruption and promote sustainable development.

Keywords: Public Procurement, Uzbekistan, transparency, KONEPS, procurement law, economic development.

Аннотация: Государственные закупки играют важную роль в экономическом развитии стран. В данной статье рассматривается система государственных закупок Узбекистана, с акцентом на ее правовую базу и структуру различных методов закупок. Статья изучает международные практики, рассматривая передовые системы закупок Южной Кореи и Германии, и подчеркивает их электронные платформы закупок и ориентированные на устойчивость политики. Исследование предполагает, что Узбекистан может значительно повысить эффективность своих государственных закупок, заимствуя зарубежные практики. Внедрение надежной системы электронных закупок и интеграция критериев устойчивого развития позволят Узбекистану модернизировать систему, снизить уровень коррупции и способствовать устойчивому развитию.

Ключевые слова: Государственные закупки, Узбекистан, прозрачность, KONEPS, закон о закупках, экономическое развитие.

Annotatsiya: Davlat xaridlari mamlakatlar iqtisodiy taraqqiyotida muhim ahamiyat kasb etadi. Ushbu maqolada O'zbekistondagi davlat xaridlari tizimi, xususan uning huquqiy asoslari va turli xarid usullarining tuzilishi tahlil qilinadi. Shuningdek, maqolada xalqaro tajribalar o'rganiladi, bunda Janubiy Koreya va Germaniyaning ilg'or xarid tizimlari ko'rib chiqiladi hamda ularning elektron xarid platformalari va barqaror rivojlanishga qaratilgan siyosatlar alohida e'tiborga olinadi.

Kalit so'zlar: Davlat xaridlari, O'zbekiston, shaffoflik, KONEPS, xaridlar to'g'risidagi qonun, iqtisodiy rivojlanish.

Government or public procurement goes beyond acquiring goods or services for the nation's requirements; it also serves as a potent instrument for economic



advancement, fostering growth and innovation across all societal sectors when utilized effectively. With all things considered, Uzbekistan has also begun putting into practice a new purchasing system. Laws govern the procurement process to ensure transparency and efficiency in the allocation of resources in the country. This article seeks to examine the different kinds of procurement and how the legislation in Uzbekistan governs public procurement processes.

The law of the Republic of Uzbekistan on «Public Procurement» is the key document that regulates all aspects of the purchases in the country. It was adopted by the Legislative Chamber on December 1, 2020, and approved by the Senate on March 12, 2021. The law includes 12 chapters and 85 articles divided into various categories.¹ The purpose of the law was to guarantee fairness in procurement procedures and provide all suppliers with equal opportunities for government contracts while also stopping corrupt activities. All significant purchases must undergo transparent and competitive bidding processes.

The structure of the public procurement system and types of customers

The public procurement system in Uzbekistan is organized in such a way as to ensure coordination and efficiency at all levels of government. The structure of the system includes several key elements that ensure its functioning:

Central authorities: The Ministry of Economy and Finance (formerly the Ministry of Finance) and the State Competition Commission coordinate and oversee the public procurement process.² They set standards and rules that all participants in the system must follow.

Government customers: The main customers in the public procurement system are state and municipal institutions and enterprises. These organizations purchase goods, works, and services to fulfill state needs. They may include ministries, departments, schools, hospitals, and other institutions.

Budget customers: These are institutions funded by the state or local budget and are actively involved in the procurement process. They order goods and services necessary for their business, following established rules.

Corporate customers: In some cases, large State-owned companies and corporations that are partially or completely owned by the State also participate in the public procurement system. They carry out purchases in the interests of their operational activities and can participate in tenders as customers or suppliers.

¹ Law of the Republic of Uzbekistan on Public Procurement. (2021). Retrieved from <https://lex.uz/docs/6121273>

² The official page of the Ministry of Economy and Finance of the Republic of Uzbekistan. (2024). Retrieved from <https://www.imv.uz/en>



Bidding process

Except for direct contracts, the procurement has to be done through bidding processes. There are currently five types of procurement — Electronic store, Auction to lower the starting price, Selection of best proposals, Tender, and Public procurement carried under direct contracts — each having different requirements, and all of them are completed through the electronic system of public procurement Uzbek Commodity Exchange.³

1. The electronic store is a special platform for the public to procure small goods and services. For instance, office supplies or computer equipment are standardized products that customers can buy using this system without necessarily going through complicated tendering procedures. The advantage of the electronic store is that it helps clients to compare prices as well as features of a product.

2. Auctions involve selling or buying commodities, works, or services where the initial price might fall during bidding. This method is effective when there is a need to sell assets urgently or if it is not yet clear what the market value of a certain type of product presents. Auctions promote competition among suppliers.

3. Selection of the best proposal involves considering many factors including price, quality, delivery time, and other relevant criteria to ensure that the chosen option is the most suitable for the client's requirements and expectations. This procurement method is appropriate for projects requiring specialized qualifications or innovative solutions. It includes other parameters like quality, and capability of manufacture among others apart from price. The process consists of evaluating proposals according to criteria and ensuring maximum profitability and practicality during the performance of the contract.

4. Tender is the prevailing public procurement method for large contracts. It calls for drawing up detailed technical specifications and requirements that all participants must strictly meet. As a result, tenders may be conducted through an open or closed procedure. With tendering there is maximum transparency and equal rights to all bidders.

5. In exceptional cases, direct contracting can be used when the urgency or the specialty nature of the purchase makes it impossible to use alternative methods. For example, this may occur when there are immediate repairs needed for critical equipment or where specialized equipment can only be accessed from one supplier.

³ The official page of the Uzbek Commodity Exchange, Government Procurements. (2024). Retrieved from <https://uzex.uz/Search?Searchdavlat+xaridlari>



Table 1: Criteria for purchases based on the Public Procurement Law.⁴

Procurement type	Object	Budget customers	Corporate customers
		BCV	BCV
Electronic store	Product	up to 2,500 (850 000 000 sums)	up to 25,000 (8 500 000 000 sums)
	Work and Service	up to 50 (17 000 000 sums)	up to 100 (34 000 000 sums)
	The same type of goods	up to 100,000 (3 400 000 000 sums) per 1 financial year	-
	The same type of work and services	up to 500 (170 000 000 sums) per 1 financial year	up to 1,000 (340 000 000 sums) per 1 financial year
Auction	Product	up to 6,000 (2 040 000 000 sums)	up to 25,000 (8 500 000 000)
Selection of best proposals	Product, work, and service	up to 6,000 (2 040 000 000 sums)	up to 25,000 (8 500 000 000)
Tender	Product, work, and service	6,000 and above (2 040 000 000 sums)	25,000 and above (8 500 000 000 sums)
Direct contracts	Product, work, and service	-	25,000 and above (8 500 000 000 sums)

BCV – the base calculated value*

As of 2nd February 2024, BCV is 340,000 sums per month.⁵

When it comes to the statistics, for the first half of 2024, there were more than 30,000 contracts, and Table 2 presents data on the value of contracts awarded through five different types of procurement methods in Uzbekistan during the first half of 2024. The Electronic store method dominated the procurement landscape, with a total

⁴ The official page of Electronic System of Public Procurement, Criteria for purchases based on the Public Procurement Law. (2024). Retrieved from <https://xarid.uzex.uz/info/criteria-for-purchases>

⁵ Decree of the President of Uzbekistan on increasing the amount of wages, pensions and allowances. (2024). Retrieved from <https://lex.uz/docs/-6665682?ONDATE=01.02.2024>



value of 2499,43 trillion sums, reflecting its popularity for small-scale purchases for its convenience and efficiency.

*Table 2: Procurement monitoring*⁶

<i>In billion sums*</i>	Januar y	Februar y	March	April	May	June	Total for 1st half of 2024
Auction	57,08	84,07	82,85	103,37	112,81	93,63	533,81
Electronic store	260,93	372,08	368,58	399,42	560,94	537,48	2499,43
National store	153,43	195,4	235,09	259,33	408,29	326,36	1577,9
Electronic selection	645,93	831,87	759,62	784,97	1204,0 1	1063,2 2	5289,62
Electronic tender	2997,68	2242,53	1514,9 2	605,6	2468,1 2	251,65	10080,5

International Practices in Public Procurement

Currently, there are many countries, both developed and developing, that established public procurement systems and achieved great results from the perspective of economic and sustainable development. Among those countries, South Korea and Germany's practices can serve as an example for newcomers to the government procurement system.

Korea On-line E-Procurement System (KONEPS)

In 2002, South Korea adopted the Korea On-line E-Procurement System (KONEPS), which is a fully integrated e-procurement system that manages all aspects of online purchasing, from tendering to payment. As of 2023, KONEPS reached nearly 70% of all public procurement transactions in South Korea, with annual transaction value exceeding KRW 100 trillion (approximately \$85 billion).⁷

KONEPS has been very efficient in reducing procurement processing time by 75% and saving the government about KRW 1.6 trillion (approximately \$1.4 billion) annually;⁷ the system is also credited with increasing transparency, as all procurement data is publicly accessible, which has significantly reduced the incidence of

⁶ The official page of Electronic System of Public Procurement, Procurement Monitoring. (2024). Retrieved from <https://xarid.uzex.uz/home>

⁷ Ministry of Economy and Finance of South Korea. (2023). Korea On-line E-Procurement System (KONEPS) Annual Report. Retrieved from <https://www.koneps.go.kr>



corruption. Furthermore, South Korea's e-procurement platform has been recognized internationally and received the United Nations Public Service Award in 2011 for its innovation and impact.⁸

Germany's Public Procurement System

Germany's public procurement system is another exemplary model, characterized by a decentralized approach with strong regulatory oversight. Germany operates under the Public Procurement Directive of the European Union (2014/24/EU), which sets the legal framework for public procurement across the EU. The system in Germany is heavily focused on ensuring competition, sustainability, and innovation.

Germany's procurement market is substantial, with public procurement contracts accounting for about €500 billion annually, representing nearly 13% of the country's GDP.⁹ The German government emphasizes the importance of green procurement, with approximately 13% of all procurement contracts awarded to environmentally friendly products and services as of 2023.⁹ Moreover, Germany has implemented a robust e-procurement system, the eVergabe platform, which facilitates the electronic submission of bids and contracts, enhancing both transparency and efficiency in the procurement process.¹⁰

Conclusion and Potential Adoption of Foreign Practices

Uzbekistan has taken huge steps in the implementation of its public procurement system, but there is a good potential for the enhancement of the whole process by the methods of adopting successful practices from the mentioned countries like South Korea and Germany. The launch of e-procurement which has the unique features of South Korea's KONEPS might lead to a huge transformation. Once procurement data are uploaded online, the possibility of corruption is almost ruled out, and this builds public confidence in the procedure.

Next, Uzbekistan can predominantly start the process of sustainability, following Germany's sustainable approach within the procurement framework. Uzbekistan, by transforming its public procurement through green procurement criteria, not only would be able to align its solid waste management practices with global environmental standards, but also be capable of accelerating green growth in

⁸ United Nations Public Administration Network. (2011). *KONEPS Wins United Nations Public Service Award*. Retrieved from <https://www.unpan.org>

⁹ European Commission. (2023). *Public Procurement in the European Union: Facts and Figures*. Retrieved from <https://ec.europa.eu/growth/single-market/public-procurement>

¹⁰ Bundesministerium für Wirtschaft und Energie (BMW). (2023). *eVergabe Platform Overview and Usage Statistics*. Retrieved from <https://www.evergabe-online.de>



the countryside. Therefore, such changes will encourage local industries to become more innovative and make use of environmentally friendly materials, thus, contributing to the goals of both the economy and the environment. Through the integration of these strategies, Uzbekistan can remake its public procurement system which would provide effectiveness and transparency in public spending.

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